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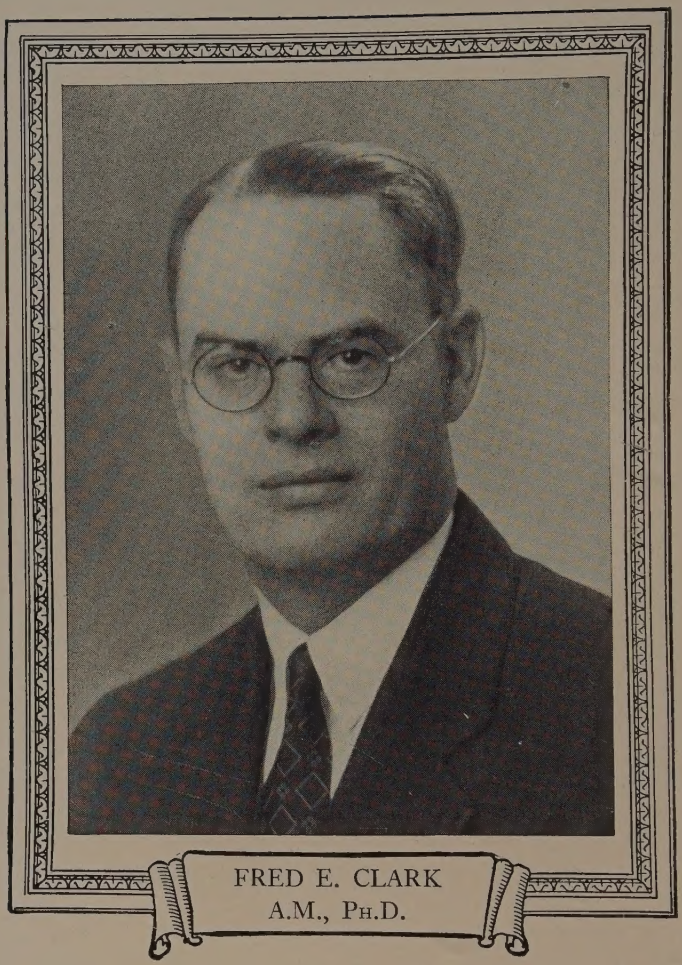

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THE CUMULATIVE LOOSE-LEAF BUSINESS ENCYCLOPEDIA

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VOLUME V

MARKETING

By Fred. E. Clark, A.M., Ph.D.

SALESMANSHIP

By Ralph L. Wood, A.B., Ph.B.

CREDITS—COLLECTIONS

By S. Roland Hall
By Paul H. Nystrom, Ph.M., Ph.D.

In Ten Volumes

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MARKETING

NEW POSTAL RATES FOR BOOKS

A boon to book lovers arrived in the news of Monday, October 31, 1938. The President that morning signed a proclamation reducing the rate of postage on books from the zone basis to a flat rate of 1½ cents per pound, or fraction thereof. Formerly, the rate for sending a book from the first to the eighth zone was 15 cents per pound and to intermediate zones was at increasing rates from 8 cents to 15 cents according to the distance involved. A book weighing two pounds when wrapped for mailing, required 30 cents postage if sent from Philadelphia to San Francisco or from Los Angeles to Boston. The new rate for such service is 3 cents (1½ cents per pound regardless of distance). The change is authorized to continue until June 30, 1939. Whether it will continue after that date will depend on Congressional action before that date.

What is a book?

What is a book? That becomes the first question to answer. The definition in an official amendment to the Postal Regulations reads:

"A book . . . shall be a cloth or paper bound volume having 24 or more pages of which at least 22 are printed, and shall not contain ruled or blank pages intended for memoranda purposes."

Leather Bound Bibles

In one of the earliest rulings in interpretation of this definition the Post Office Department said:

"While the regulations specifically refers to cloth and paper-bound volumes, books bound in leather will be regarded as coming within the purview of the regulation.

"While the regulation provides that books entitled to be mailed at the reduced rate shall not contain ruled or blank pages intended for records or memoranda purposes, this provision is not intended to apply to pages customarily appearing in Bibles to record marriages, births and deaths."

What is not Included

The Proclamation and the new Regulations lay down other tests which must be met in order that the new low rate may apply to the article mailed. The first is that no advertising matter be included, except incidental announcements of other books. One may thus mail a book within its regular paper jacket and still be

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entitled to the low rate. But no catalogues, even though bound in paper, leather, or cloth, would be entitled to the new rate, for they are advertising matter.

Secondly, if the volume contains less than 24 pages, the new rate does not apply. Such books as are designed for keeping accounting records therein are not within the terms of the new order. On the other hand, the term "bound" has been given a liberal interpretation.

Purpose of the New Regulations

Significant passages from the Proclamation by the President and from the statements issued by the Acting Postmaster General emphasize that "the interests of the public, in the promotion of the cultural growth, education, and development of the American people" required the changed rate of postage on books, which it is hoped "will result in a substantial reduction in the price of books to the ultimate consumer, thus making them more readily available to a larger number of our people. While the lower rate will benefit readers generally, it will be especially advantageous to the many millions of American people who live in rural sections remote from both libraries and book stores."

RAYON CORD

Development of a tire for passenger automobiles using a rayon cord base instead of cotton will provide a vast market for rayon and eat deeply into the use of cotton in that field, according to traders in both rayon and cotton fabrics who studied the plans announced by Goodyear Tire and Rubber Company for introduction of such a tire late in 1938.

Present consumption of cotton for automobile tire cords is approximately 200,000,000 pounds. Complete displacement of cotton by rayon in tires is not to be expected at an early date, but when it occurs it will result in the use of a considerably smaller poundage of rayon, since a lighter rayon cord may be used.

The four-ply rayon tire cord was described as more resilient, and greatly more resistant to blow-outs than the six-ply cotton cord. The cause of nearly all blow-outs of cotton-base tires has been fabric failure under heat, and this, it is claimed, does not occur in the case of rayon-base tires.

It was reported that tires with rayon cord will be marketed at a premium of $2 to $3 over those with cotton cord, but this is not expected to be a disadvantage, because of the longer life claimed for the rayon tire. In the case of truck tires, introduced

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some years ago, prices were about 25 percent higher, but the tires ran from 18,000 to 20,000 miles, compared with less than 10,000 miles for cotton-cord truck tires.

INCREASED FUEL SAVINGS

The use of fuel-saving devices and the substitution of other fuels which require less labor in production have reduced the demand for coal and increased unemployment in the coal fields during the last twenty years, according to a report of the National Research Project of the Works Progress Administration, recently made public.

Improved techniques, it was said, have resulted in fuel savings per unit of product, which, since the World War, have amounted to more than 55 percent in central electric power stations, 28 percent on freight trains, and 15 percent for blast furnaces and cement plants.

In transmitting the report to Harry L. Hopkins, WPA Administrator, Corrington Gill, assistant administrator in charge of research, characterized the progress in fuel economy as "an outstanding example of man's ability to do more units of work with less raw material." He also notes the effect which fuel-saving techniques have already had upon employment opportunities.

"For more than half a century prior to 1918 the consumption of coal, especially bituminous coal, increased steadily," the survey read. "Since the war the growth in demand has been arrested, and employment opportunities have been curtailed for a large number of workers among the half to two-thirds million wage earners engaged in digging coal as well as for many others engaged in its transportation."

ELECTRIC APPLIANCES

Increasing emphasis on development of their own brands of electrical home appliances is being shown by a number of department stores throughout the country. Executives of these establishments say that results so far have proved favorable. The purpose of this move has been primarily to offset price-cutting on nationally branded lines of this merchandise by many smaller competitors, who use the large stores more or less as "showrooms" to demonstrate to customers goods which they are able to quote at lower than the "full prices."

Another factor was the contention that the mark-up on the national lines did not afford a sufficient margin of profit to the

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department stores, whose expenses of operation in these departments have frequently resulted in loss.

Washing machines, refrigerators, and vacuum cleaners were three times reported to be readily salable in the private brands of retailers. In one instance, it has been reported, the sale of a private brand of washing machine has led in a large group of stores. The leading mail order companies for some time have had their own branded lines of refrigerators, one of which has now climbed to a ranking position among the leading sellers in the refrigerator field.

While some of the stores would like to have the makers of the nationally branded lines produce merchandise which would then be sold under private brands, reports indicate that the leading producers so far have not been, in most cases, tempted by such orders. The reason seems to be the belief that such action would affect the distribution system which has been set up for the nationally branded products.

CONSUMERS OF FINISHED STEEL

Farmers and the construction and canning industries increased in relative importance among consumers of finished steel in the first half of 1938, compared with the same period of 1937, according to an analysis of steel production completed by the American Iron and Steel Institute.

About one-third of the 18,748,000 gross tons of finished steel products shipped to consumers in the six months consisted of barbed wire, structural steel, tin plate, and other products mainly used by farmers, builders, and canners. Shipments of the same classes of products in the first half of 1937 represented only about one-fourth of total shipment of 22,346,000 gross tons.

Railroads and automobile manufacturers meanwhile decreased in relative importance among steel consumers in this year. Rails, car wheels, and other railroad products represented only 6½ percent of total gross shipments in 1938, which represented a slight drop over 1937.

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MEAT SUBSTITUTES

From February to November, 1937, meat prices rose some 20 percent, while retailers had to pay 30 percent more for meat than in 1936. Top grade steers sold 50 percent higher than during the previous year. These figures, compared with the rise of retail food costs of only 2 percent for the whole country, stand out like a sore thumb. This is more true in New York than in any other city, for New York is the largest market for prime cuts of meat, particularly beef. Because of these facts, representatives from the A. & P. stores and four local chains, conferred with the Commissioner of Markets, and announced that they would co-operate in the city's campaign to educate housewives about meat substitutes, and that they would back an ordinance to make compulsory the grading of all meats sold in the city. A week later, the Consumers' National Federation, the holding company of a good many of the consumer groups, invited representatives of several of its constituent organizations to talk over the subject of grading and to make plans for educating housewives on the how and why of graded meat.

These activities of chains, consumers, and the city about the subject of grading and meat substitutes were the latest phase of the hysterics that had had New York's consumers and retailers quaking for a month or more. The situation sharpened early in September when 5,000 butcher shops, members of the loosely-knit Federation of Kosher Butchers, went on "strike" in protest against the prices they had to pay to packers.

The strike, at first an orderly and pre-arranged protest against the closing of Kosher shops, planned at least in part for the purpose of stalling off a consumer strike, ran afoul of the New Deal Kosher Butchers Federation and the unionized Hebrew butcher workers. The latter considered the stoppage a lockout, picketed the shops, and demanded full pay for the duration of the strike. The New Deal storekeepers refused to strike at all—a logical stand since theirs are the larger stores, buying and selling the cheaper grades and have hence been less upset by price troubles. The strike which wound up in a welter of factional disputes was finally settled in the mayor's office. Its outcome was the hullabaloo for grading.

The common aim has been a Federal investigation into the alleged packers' monopoly, with a view to correcting the practice ascribed to the packers of substituting inferior grades of meat for better grades in times of shortage. The answer of the packers to this and to the general charge of being responsible for high

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prices was to point to the lower supply of meat, its high cost, their increasing overhead. Department of Agriculture figures show that the supply of meat was 25 percent less this July and August than it was a year ago and that beef and hogs were the least abundant. The packers added that cattle prices are higher than they have been at any time since 1919. Government audits for 1936 indicate that a Federal investigation, particularly if it were directed at packers' high profits, would accomplish little or nothing.

Advantages of Grading of Meats

Government grading, which resulted from the conference, seemed concrete and satisfactory to nearly everybody. Though it adds somewhat to packers' overhead, it could be made to apply to everybody all along the line. Retailers and consumers would know what they were getting; piratical advertising and competition could more easily be scuttled. To the big chain stores in New York, badgered by chain taxes, worried by the Louisiana decision making them taxable in any state on the basis of the number of stores they operate anywhere, the idea of compulsory grading means three things:

(1) It provides a check on small competitive independents;
(2) It gives the chains a chance to do a good turn for the city government;
(3) By coming out in defense of the consumers' cause they will have a chance to build consumer good-will.

The chains' interest in meat substitutes is natural, too. A. & P.'s beef sales, which used to account for 40 to 45 percent of their total meat business, have now declined to less than 20 percent, and the slack has not been all taken up by other meats. So A. & P. is building up the substitute idea via newspaper ads in favor of fish, eggs, etc.

Manhattan consumer groups and the Department of Markets agree in thinking that grading is necessary, and feel assured that grading will bring down the suspiciously high prices in the middle price-range of meats. To get grading to mean anything, though, they know that there must be consumer education. Few housewives seem to realize what it is, or that good cuts of a medium grade are as good as cheaper cuts from a more expensive grade. Few realize, either, that the health certification stamp on all meats sold in interstate commerce tells nothing about the grade of the meat.

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RETURNED MERCHANDISE

Department stores and retail shops have during recent years given much attention to the problem of returned merchandise, because careful investigation has proven that it means big losses. Between sixteen and seventeen per cent of all sales made by department stores and leading women's apparel stores are returned, according to the *Nation's Business* of April, 1932. Stores of this country pay more than $192,000,000 annually to take back merchandise. It is figured that to resell these returned goods costs the stores an additional $120,000,000. It was not realized until recently that such staggering losses were involved in this field.

The pertinence of the problem is well summed up by Amos Parrish in a recent issue of his house organ when he says:

"When out of every 100 radios that are taken out of a store, 23 are returned . . .

"And out of every 100 fur coats, 21 are returned . . .

"And almost 17 negligees . . .

"And more than 15 pairs of shoes . . .

"And almost 16 women's coats . . .

"And more than 18 blouses and skirts . . .

"And more than 18 misses' coats and suits or dresses and sports wear . . .

"And so on and so on . . . when so many things are just lent to lookers rather than sold to customers . . .

"Then it's time, as the captain said as the troops were marching over the precipice, to call a halt."

In the opinion of D. F. Kelly, president of "The Fair Store," Chicago, and president of the National Dry Goods Association in 1931, the returned goods' problem now presents one of the greatest economic wastes in the field of retail distribution. He estimates that customers' returns to all retail stores now amount to the stupendous annual figures of approximately $1,600,000,000.

The Dry Goods Association of San Francisco studied the same problem over a six-year period. The percentage of increases in returned goods were noted and are set forth in the table on the following page.

It is plain from figures gathered by the United States Department of Commerce that during recent years the practice of returning goods has increased. In its National Retail Credit Survey the Department of Commerce reports that during the first six months of 1930, of the goods sold for cash the amount returned

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Department	Percentage of Increase from 1924 to 1929	Percentage of Returns Ratio—Returns to Sales			
		1924	1925	1928	1929
Women's and misses' ready-to-wear	60	16.4	17.9	24.4	26.3
Piece goods	58	3.4	3.5	4.8	5.4
Art goods	49	7.3	8.8	10.8	11.1
Furs	44	18.8	21.2	26.5	27.1
Home ware	42	13.5	13.4	17.8	19.1
Radios	41	22.3	19.6	30.1	31.3
Men's and boys' wear	33	7.0	6.8	8.9	9.3
Furniture	29	14.8	14.7	17.9	18.8
Small wares	25	4.7	4.4	5.5	5.9
Ready-to-wear accessories	20	8.2	8.2	9.3	9.8
Women's and misses' shoes	19	15.5	14.6	17.8	18.4
Men's and boys' shoes	12	7.8	7.5	8.5	8.7
Sports goods	5	6.6	7.1	6.6	6.9

increased from 3.7 per cent to 3.9 per cent; of goods sold on open credit sales the increase was from 11.4 per cent to 11.7 per cent; the amount returned on installment sales was naturally the largest, and showed the greatest increase in per cent, from 13.7 per cent to 14.5 per cent. These figures cover stores in seven lines only—department, furniture, jewelry, men's clothing, shoes, women's specialty and electrical appliances. The same results, however, are shown in the statistics collected by other national bodies for other lines of merchandising.

Cost of Reselling Returned Merchandise

Merchants had recently realized that a considerable loss came to their business because of returned merchandise, but they scarcely sensed the additional loss which resulted from the cost of reselling these returned goods. Leaving aside the question of mark-downs caused by improper packing when the goods are returned, depreciation in style and spoilage in other ways, it is fair to assume that it cost 20 per cent of the amount of returned stock to resell it again and this is reputed to be a conservative figure. Suppose, for example, that all buying expense is eliminated —salaries, travel, receiving and marking expenses, etc. All this could not be eliminated, but to be conservative it will be so in the illustration. The returned article will be charged with only one-half the share of fixed charges, on the theory that when it was originally sold it stood its full share of fixed charges. In 1929 fixed charges in many stores averaged 7.9 per cent. The reduction (one-half) therefore is 4.0 per cent. In 1929 a careful investigation

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showed that in department stores approximately 32 per cent of the gross sales had to be charged against returned goods. It therefore seems as if 20 per cent were a reasonable charge to make for the privilege of reselling returned merchandise.

Causes for Returns

The causes for the large number of returns and the increased percentage from year to year are threefold. First, the responsibility lies with the stores themselves; second, with the customers; third, with the manufacturer whose goods sometimes arrive with incorrect size labels, quality misrepresented, branded incorrectly, etc.

From the customer's point of view the causes for returns are directly traceable to the following policies: 1. abuse of the charge account; 2. carelessness in making purchases; 3. susceptibility to suggestion from high-pressure salesmanship. Briefly stated, the causes for returns directly attributable to the store may be listed as follows: 1. bad judgment in buying; 2. poor salesmanship; 3. inefficiency in wrapping and delivery departments; 4. reluctance to insist that the customer stay within reasonable time limits or be frank about condition of returned goods, for fear of offending the customer; 5. deliberate encouragement of approvals and sales conditioned on a return privilege.

Factors Influencing Returns

Merchants who have given much thought to this problem suggest that consideration of the following nine factors may be of assistance in cutting down the losses due to returned merchandise, according to the Philadelphia Chamber of Commerce:

"1. In buying, too much thought is given to price and not enough to style and quality. Too many buyers buy price, terms and discount, and not style and quality merchandise.

"2. Correctly styled merchandise as to line and color stands a much better chance of being sold and remaining sold than the garment that is badly styled and not color right.

"3. Buy the correct and fashion-right shades, have them in complete range of sizes and in your established price lines, and sales will be increased and returns reduced. The public has become color conscious to a greater extent than the merchant.

"4. In times like the present too little attention is given to quality. Not how good, but how cheap, seems to be the slogan of many buyers. Much merchandise is being returned because

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it is poor in quality. The fabric is cheap, the workmanship is poor, badly cut and ill-fitting. Many garments are scantily cut, incorrectly sized, and when tried on at home these weaknesses are recognized and the garment returned. All merchandise should be examined before being placed on sale.

"5. Incomplete stocks are responsible for many returns. The salesperson in his anxiety to make a sale, if he has not the right size, style or color, will force on the customer something the customer should not have and when it is taken home is found to be unsatisfactory.

"6. Merchandise should be properly priced. Much merchandise is returned because the customer finds she can buy the same goods somewhere else for less money. Back it comes for credit. Be certain that merchandise is priced at the lowest possible price for quality furnished.

"7. High-powered advertising is more or less responsible for the return of merchandise. Too many job lots, too many store-wide sales, too many salesmanagers' sales, too many one-day sales and too many others too numerous to mention. The aftermath is a very large amount of returns and a heterogeneous collection of most undesirable merchandise that must be disposed of in some way or other, thereby increasing the amount of returns.

"8. Service causes consist of wrong handling of the transaction, wrong address, poor packing, late delivery, order filled incorrectly, broken promises, poor alterations, etc. In the mad race for volume many stores promise the customer anything. Some stores advertise, 'Take it home and if you find it is not as good as expected—return it.' Others advertise to take it home and compare it with goods from other stores and 'if ours is not better—return it,' thereby encouraging returns.

"9. High-powered selling results in heavy returns. The merchandise manager and the buyer insist that each day's sales beat the corresponding day of last year, so great pressure is brought on the salesperson. She is given a quota and is checked up to determine why she isn't selling more. If the stock is not complete as to size, material, style or color she sells her customer anything she can; in fact, forces the sales in order to make a book, hoping and praying that the customer will keep it. Many times she says to a customer, 'Take it home and if you find it is not just what you want, you may return it.'

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FINDING NEW MARKETS

Under the title "Market Research Sources," the Bureau of Foreign and Domestic Commerce has published this year (1932) a booklet of 277 pages (copies obtainable from the Superintendent of Documents, Washington, D. C. Price 30 cents). This is one of the most useful government pamphlets of recent date for those interested in the domestic market.

The main problem of any business enterprise is the finding of new markets. All reductions in the cost of production, all improvements, all efficiency programs are in vain unless the benefits arrived from them lead to the retention of a market or the finding of new ones. A study of the remarkable growth of such industries as the manufacture of the automobile, the increase in passenger-bus transportation, the growth in the use of telephones, the extension of banking services, or the expansion of sales for any other commodity or service shows that they are all due to the finding of new markets. They existed; the new field of sales merely needed discovering. A careful study of the progress made by large scale producers as compared to that made by small individual enterprisers shows that the difference is largely one of the amount of energy and zeal put into the finding of new markets. The small enterpriser too often rides along on momentum or on "hit or miss" efforts toward larger markets; the large scale operator never ceases working for a larger clientele and all his efforts are coördinated to that end. The individual enterpriser is often at a loss to know how to proceed or where to get his information. To such a man this Bureau publication is indispensable. Nor must he underestimate such a source as "theoretical" or "printed stuff." It is just this "theoretical, printed stuff" which the large scale operator digs out in his research department. Such information is the basis of his progress. Rules of thumb, and practical hearsay are out of date; progressive firms live on research.

Sources of Information

The large organization has a special department, manned by experts, whose sole job is to dig up information about potential markets. To this department we may ascribe no little credit for the success of the large corporation. The small enterprise can not specialize to any such extent as to have even one man whose job is to find new markets. Where can the small enterpriser find information that will help him to enlarge his undertaking by increasing the sales of his commodity or service? To answer

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this question the United States Government published this pamphlet.

How to Find New Markets

Competition for years before the World War was largely a matter of reducing prices and improving quality; it was a battle of "cutting the cost of production." The paramount question today is not minimizing business wastes in manufacturing; the survival of the fittest today is being fought out on the basis of competitive efficiency in distribution. Sales and advertising campaigns can no longer hit blindly at supposed markets. We must now precede such campaigns by a careful collection and analysis of them. This government publication was compiled so that those in search of new markets could secure reliable data in their respective lines. Manifestly the book could not be useful for long if it contains actual facts and figures. They would be out of date before the publication reached its readers. The pamphlet would be a history of the past rather than a guide to the future.

The first thirty-seven pages of the booklet are called "Finding Guide." Perhaps there is no better method of describing this than by printing a sample (see following page).

A glance at this page shows the system. Suppose the inquirer is interested in "apples." Under that topic he finds information about containers, demand for apples, distribution costs, grading, and fifteen other topics of interest to growers, packers, shippers, and sellers of apples. It is not so much the information itself on these subjects as the best sources of information on these phases of the apple business—which is much more useful than facts and figures that are soon out of date. And so whether the enterprisers interest is in melons, metals, milk or millinery the best sources of the latest reliable information on his specific field are at hand, carefully cataloged in the most usable form.

The remaining 240 pages are divided into five parts:

PART I—Federal Government
PART II—State Government
PART III—College, Universities and Foundations
PART IV—Publishers of Books and Trade Directories
PART V—Commercial Organizations.

Each part is then subdivided into chapters, each one grouping together the sources of information available in hundreds of

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business lines. Part V, for example, on Commercial Organizations, has the following subdivisions:

1. Advertising Agencies and Broadcasting Systems
2. Business Services
3. Chambers of Commerce
4. Coöperative Marketing Associations
5. Individual Businesses
6. Magazines
7. Newspapers
8. Societies and Conferences
9. Trade Associations

The following page taken from the Trade Associations section illustrates the type of assistance furnished in this booklet:

TRADE ASSOCIATIONS (SAMPLE PAGE)

940. Association of National Advertisers (Inc.), 420 Lexington Avenue, New York, N. Y.:

Continuous research is conducted on behalf of the Association's members into various phases of marketing and advertising, including media, sales, and distribution policies, advertising technique, and kindred subjects. Most research reports are prepared for distribution to members only; others carry a sales price to nonmembers. The following reports have been completed:

The Advertiser Looks at Radio. 1930.
The Advertising Budget.
An Analysis of Five Million Dollars Spent in Farm Paper Advertising.
The Attention Value of Newspaper Advertisements.
How Schools Use Advertising Material.
A Study of Duplication of Magazine Circulation in Jefferson and Lewis Counties, New York.
Survey of Window Display Installation Services.
Vertical Coöperative Advertising.

941. Binders' Board Manufacturers Association, 122 East Forty-second Street, New York, N. Y.:

An analysis of the market for binders' board was prepared under the direction of this association and made available in a report entitled "Bound to Last," published December, 1926.

Weekly statistical reports are made for members covering shipments, stocks, and unfilled orders of binders board.

942. Bureau of Railway Economics, 1024 Transportation Building, Washington, D. C.:[2]

This bureau is engaged in studies of commodity prices in their relation to transportation costs, which are published in bulletin form. The series deals with price phases, transportation costs, and general statistical information pertaining to various commodities. It also includes bulletins treating of the production, movement, and distribution of fresh fruits and vegetables. The following bulletins have been issued to date. These are available for distribution, with the exception of

[2] For material published prior to 1925 see the 1930 edition of "Market Research Agencies."

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Nos. 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 24, and 31, which are out of print.

No. 7. Wheat. Supplemental to No. 1. 1924 crop. February, 1925.
No. 8. Corn and Oats. Supplemental to No. 1. 1924 crop. June, 1925.
No. 9. Cotton. Supplemental to No. 3. 1924 crop. September, 1925.
No. 10. Oranges. 1924–25 season. November, 1925.
No. 11. Livestock. Supplemental to No. 6. Covers 36 sales days at 10 markets. October, 1923, to October, 1925. January, 1926.
No. 12. Potatoes. Supplemental to No. 5. 1924–25 crop. February, 1926.
No. 13. Cotton. Supplemental to No. 9. 1925 crop. May, 1926.
No. 14. Apples. 1925–26 commercial crop. September, 1926.
No. 15. Wheat. Supplemental to No. 7. 1925 crop. October, 1926.
No. 16. Corn. Supplemental to No. 8. 1925 crop. November, 1926.
No. 17. Oats. Supplemental to No. 8. 1925 crop. December, 1926.
No. 18. Potatoes. Supplemental to No. 12. 1925–26 crop. February, 1927.
No. 19. Livestock. Supplemental to No. 11. Covers 54 sales days at 10 markets. October, 1923, to November, 1926. March, 1927.
No. 20. Production and Movement of Fresh Fruits and Vegetables. 1925. April, 1927.
No. 21. Watermelons. 1926 crop. June, 1927.

A Research Laboratory for the Small Business

The Government designates this small book as "A Guide to Information on Domestic Marketing." A research bureau of the United States, with the best experts and thousands of dollars at its command, has put at the disposal of every inquirer information in his special field. In this publication he has at his command for, thirty cents, the results of long and costly investigations. Without such investigations no paying campaigns in advertising or sales can now be conducted. This publication is the key to larger markets.

Bureau of Foreign and Domestic Commerce

The collection and dissemination of timely trade information is the chief function of this bureau. The steadily improving standards of American enterprise have demanded an increasingly effective service from this Bureau, not only with regard to quality and quantity of its reports, but especially with reference to the promptness and efficacy of their distribution. Until within the past few years the Bureau of Foreign and Domestic Commerce paid little attention to our domestic trade; its domestic division has lately been expanded until practically all domestic commerce

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questions are efficiently handled. The representatives of this Bureau in sixty of the great commercial cities of the world supply reports by cable and mail, of timely economic and commercial conditions. The reports are put in the most useful form and appear in a weekly publication of the Bureau called Commerce Reports. The following list shows the special type of service afforded by the Bureau:

Special Bulletins

The special publications of the bureau deal with particular markets, commodities, or trade problems. Since July, 1924, most of these bulletins have appeared in the following three groups:

Trade Promotion Series.—Substantial monographs giving results of major studies or investigations that have a more or less permanent value.

Domestic Commerce Series.—Studies relating to domestic merchandising problems, both wholesale and retail.

Trade Information Bulletins.—Pamphlets, averaging about 40 octavo pages each, containing reports of immediate or temporary interest on a specific market, trade problem, or commodity.

Prior to July, 1924, the foreign-trade publications were embraced in the Special Agents Series, Special Consular Reports, and Miscellaneous Series.

Special Agents Series.—Monographs on specific industries and phases of commerce prepared by commercial attachés and trade commissioners.

Special Consular Reports.—Results of trade investigations in foreign countries by American consular officers.

Miscellaneous Series.—Monographs prepared in the bureau or by its representatives in the United States and foreign countries on various commercial subjects.

Tariff Series.—Translations of the customs tariffs and regulations of foreign countries and related subjects. This series has been discontinued, and studies in the foreign-tariff field are now issued in the Trade Promotion Series or as Trade Information Bulletins.

Industrial Standards Series.—Bilingual editions of standard specifications for industrial materials. These are English-Spanish, English-French, and English-Portuguese editions of certain specifications of the American Society for Testing Materials.

Electrical Standards Series.—Translations into Spanish of standard specifications of performance adopted by the American Institute of Electrical Engineers.

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MARKETING

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THE PRINCIPLES OF MARKETING

MARKETING centers about the efforts which are made to effect transfers in the ownership of goods and to bring about their physical distribution. The subject involves the economic and psychological reasons for marketing and the considerations which determine the economic and social effectiveness of marketing methods. It also has to do with the administrative problems of individuals and firms engaged in selling and buying goods for their individual profit or use. The first of these divisions is ordinarily called the economics of marketing; the second is sometimes called the administration of marketing or sales administration. Both of these general divisions of the subject are treated in detail in the chapters which follow. The discussion also introduces a number of concrete cases from actual business.

As modern industrial development has proceeded, the problems of marketing have become more difficult and the cost of marketing has increased. Certain important conditions have had a marked influence on modern marketing and have made necessary an increasing expenditure of time and effort upon marketing problems. The first of these is large-scale production. The larger the volume of goods produced by a given unit, the larger the market necessary to the absorption of its product into trade. Whereas the cobbler of former days sold his shoes to his neighbors and seldom, if ever, sold outside the locality in which he resided, the modern shoe factory finds it necessary to sell over a wide territory and frequently to cross international lines. A closely related condition has been the growth of specialized producing units and specialized production areas. Large-scale production is, of course, usually based upon specialization. But regardless of the scale of production, such factors as the availability of raw materials, labor supplies, and supplementary industries frequently determine that production can be most economically carried on

in certain specialized areas. As a result of this, we find factories making steel, shoes, or other products concentrating at certain points. This makes it necessary that the products of many factories shall be distributed from these specialized production areas. It also necessitates wider marketing areas than would be found necessary if only one of these factories were located at such a point. In agriculture, likewise, although the individual units remain small, there has developed a distinct tendency toward specialized production. Many farm products are produced most economically in certain sections of the country, and so we find areas in which a large portion of the farm population is engaged in growing certain specialized products. This makes it necessary for these products to be distributed over a wide area and it makes it necessary, likewise, for these farmers to obtain from other parts of the country most of the agricultural products they consume. The cotton grower, for example, produces a product which is consumed in the eastern part of the cotton belt, in New England, and in European countries. He in turn consumes citrous fruits grown in Florida and California, coffee from Brazil, and his automobile tires come from Akron and were made with rubber from Sumatra, while the cotton fabric or cord was shipped to Akron from mills located in North Carolina or New England.

The congregation of consumers in small areas has also added to the problems of marketing. It makes necessary the physical distribution of products through crowded city streets and it requires the accumulation of these products from far-flung agricultural areas and manufacturing centers.

Under modern conditions, many human desires are now gratified only by a great variety of products which are often produced in remote areas and by products which are perishable both physically and commercially; that is, products which deteriorate physically and products in which the style element is important. And in obtaining these products consumers have come to expect a high degree of service. All of these factors have combined to make necessary large markets and an intricate marketing organization.

Specialization and large-scale operation in manufacture commonly result in reduced costs and improved product. But the conditions which have been pointed out above make necessary an expensive and intricate machinery to market the products of large-scale industry. This has resulted in costs of distribution which are often much greater than those which were necessary under the former conditions of localized small-scale production for consumption in the surrounding territory alone. In many

cases these costs to a greater or less degree have offset the economies in production costs. In other words, a disadvantage of large-scale production is the need for a corresponding volume of sales, which is often expensive to obtain.

Marketing Policies

The problems of selling a commodity or service are often, if not generally, more troublesome than those of manufacture or purchase. This is because the former are less tangible, more complex, more shifting and changeable than the latter. A process of manufacture or system of management is usually good for a few years at least, but the market may require a new policy of distribution or at least important changes in policy after a few weeks or months. In fact, in a retail store, changes in minor policies are frequently made from day to day, particularly when a large line of products is handled, as in a department store or other large retail establishment. Furthermore, whether a factory is using the best method of production can usually be determined with greater ease and certainty than is the case with the marketing system — whether it is getting the best prices, using the most effective and economical marketing machinery, and is building for itself a reputation with dealers and consumers that will render its future sales problems more easy of solution.

Many outstanding business successes have resulted from a masterly solution of the market problem. Of course, success in production is assumed, for if the production department cannot deliver, the efforts of the sales department are useless. But the converse of this is the more general rule; ordinarily the goods can be produced and delivered if sales are made. Of course, a successful marketing policy is by no means always a chief cause for success. Thus the success of the phonograph was apparently due primarily to a new idea and a new invention; and the excellent management of the manufacturing process was probably the chief cause for Mr. Ford's success. Yet in neither of these outstanding cases can it be denied that success was due also in a large measure to a masterly sales campaign, and in the case of Mr. Ford, at least, to a thorough understanding of the relation of profits to price and demand — a fundamental marketing problem.

When marketing is viewed from the point of view of the seller, it can be considered as consisting of the various means through which *sales are closed.* But what is meant by the closing of sales? To the salesman this means the methods by which the prospect is finally led to the point of making a purchase. This is

meant here; but more is meant. For from the point of view of the administration of the business enterprise, closing the sale includes, in addition to those efforts which finally get the prospect to purchase, all those activities which precede and lead up to the final purchase. It is well known that the final purchase, even though made at the behest of a salesman after a personal interview, may have resulted only after great effort on the part of the management has been exerted through advertising, personal letters, and other sales promotional work. But the closing of a sale means more than these, for it includes all those activities which follow an actual purchase, which bring repeat orders and keep the articles sold. For literally millions of dollars' worth of goods are sold annually, only to have the orders cancelled later or the goods returned to the seller. Thousands of buyers desire or are influenced by sales efforts to desire articles which they never purchase because the sales machinery does not function well, while thousands of others — often influenced to buy at great expense — do not purchase the particular article again because of some weak spot in the sales machine.

Marketing Functions

Looking at marketing from the point of view of the two main factors of interest, it is evident that the marketing service furnishes to buyers a source of supply of the products they desire to use. To sellers it furnishes an outlet for products they desire to sell. But regardless of point of view, whether buyer or seller or middleman, the marketing of products usually calls for the performance of certain distinct types of operation, usually called the marketing functions. These functions are of three types: the functions of exchange which have to do with bringing about a transfer of title from seller to buyer; the functions of physical distribution which have to do with the transportation and storage of products while en route from producer to consumer; and finally, certain auxiliary functions which are essential to the performance of marketing under modern conditions.

Marketing Functions

A. Functions of Exchange
    1. Demand creation (selling)
    2. Demand satisfaction (buying)
B. Functions of Physical Supply
    3. Transportation
    4. Storage (warehousing, cold storage)

C. Auxiliary Functions
   5. Standardization (grading, rearrangement, and packing)
   6. Financing (including credit)
   7. Risk-taking

In any complete marketing scheme, it will be found that all of these operations are performed. The emphasis on different functions may vary from time to time or product to product or firm to firm but they are always present. Moreover, in the intricate marketing organization of today, each of these functions has assumed greater and greater importance. A brief discussion of each function will help to bring out the various activities involved in marketing.

Demand Creation

The functions of exchange are first in importance. For any marketing activity to be complete, buyer and seller must be brought together; that is, a sale must be made. This involves the two functions previously mentioned — demand creation, or selling, and demand satisfaction, or buying. Some kinds of articles are bought, others are sold. That is, for some things a demand exists while for others it must be created. A universal demand exists for products catering to fundamental needs for food, clothing, fuel, and for the raw materials, and equipment used in processing them. These commodities are commonly called staples, and the demand for them is due to natural and acquired wants, fundamental in our nature. Some kinds of goods, on the other hand, have to be sold to the consumers. They do not, at the outset at least, buy them of their own free will; that is, for many articles, no fundamental consumer demand exists. Such demand must be developed, or as is commonly said, created.

In addition to there being many different kinds of goods, there are usually many competing brands of each. But since the income of most consumers at any one time is definitely limited, an individual cannot buy every kind or brand of product which is offered for sale, even though he may wish to possess it and could consume it. It follows from this that even producers of staple commodities must often create a demand for their particular product. It follows likewise that wholesalers and retailers who offer their services in the distribution of these products must likewise attempt to create a demand for their individual service. There exists a demand for wholesale and retail service in general, but not for that of any particular retailer or wholesaler. Con-

sideration of these facts has developed what is sometimes called the branded staple. This is a product of a kind for which there is a demand, but each particular producer in order to develop and increase the demand for his own product attempts to identify it and create a particular demand for it.

In modern distribution, we find great emphasis placed upon the problems of selling, and particularly upon that aspect of selling known as demand creation. Increased power in production and the development of new products have created a surplus of many products; that is, a surplus above what we have been accustomed to consume. Although this increased production has been followed by increased purchasing power the latter normally lags behind the power to produce. This makes it necessary for many producers to exert efforts to create demand for their products in order that they may sell all they can produce at a profitable price; and not have some left unsold or some which must be sold at a loss.

The problem of demand creation is therefore, to make the public buy more of what it is accustomed to consume; to create a desire for products which are either unknown, or, if known, are not used; and finally, to induce the consumer to buy one product rather than another.

Brief illustrations will make each of these points clear. Manufacturers of clothing, furniture, watches, spectacles, automobiles, and many other common products are constantly endeavoring to make the consuming public buy new products before the old ones are worn out, or to buy additional products to supplement those they already have. We are told that our watch is entirely out of style although it keeps perfect time. We are urged to buy spectacles for morning, evening, afternoon, and Sunday wear. It is suggested that we have a small car to supplement the large one we already own. The attempt to make us buy products we have not previously used is best illustrated by the new products of various kinds which have come on the market in the last twenty years: automobiles, electrical refrigerators, gas refrigerators, electric and gas heaters, radios, aeroplanes. These are products which when first brought onto the market were in the sales sense unknown to the consumer and even now, although well known, are not possessed by millions. The attempt to make the consumer buy one article rather than another takes two forms. It may be an effort to influence the consumer to buy a Chevrolet rather than a Ford, a Lincoln rather than a Cadillac. The second problem of this type is to induce the consumer to buy one type of product rather than another: he is

urged to buy an automobile rather than a house, an oriental rug rather than a bond. True, the sales appeal is not put in this form. We may not be told that we really do not need to save, that we should have an oriental rug rather than a good bond, but the sales effort that is put forth in favor of each makes it necessary for the consumer to make just such decisions. Each firm selling such commodities realizes that it must make its sales appeal so alluring that the buyer will prefer his product rather than another. Few products sell themselves. Consequently, if such appeals are not made, few firms will succeed.

It may be said in summary, therefore, that most sales effort arises from the fact that consumer purchasing power lags behind production. If we buy certain products we cannot buy others; if we buy more of this, we cannot buy more of that. In conclusion, at this point a word should be said about the nature of demand creation. Briefly, it consists of finding means by which ideas, or "selling points" as they are called, about the goods we want to sell can be effectively conveyed to the consumer. If the product is satisfactory and if the ideas are conveyed effectively enough, and at a cost which is not too great, the chief marketing problem of most firms can be said to have been solved.

Demand Satisfaction

Demand satisfaction, or buying, is the second of the exchange functions. To be available for consumption and for use in production, products must be assembled at convenient points for use. They must be brought together in the volume and variety demanded by those who are to use them. This involves, of course, the physical functions of transportation and storage, but it also involves the use of information and judgment, the aspects of marketing which are included in the buying function. The buyer must determine what is needed, when it will be needed, in what quantities, where it can be purchased, and how long it will take to get it. The importance as well as the difficulty of this function is readily understood by most business men. The failure to obtain materials on time, or in proper quantities, or of the right kind, is a frequent source of difficulty to manufacturers and merchants. The greatest buying problem of all is that involved in obtaining products for the final consumer. An analysis of any breakfast table will make this clear: coffee from Java or Brazil; sugar from Hawaii, Cuba, Louisiana, or Colorado; oranges from California, or grapefruit from Florida; eggs from Washington or Missouri; bacon from Chicago, made from hogs shipped from

Iowa; bread made locally with shortening from Cincinnati or Chicago and wheat from Minneapolis or Buffalo.

It is the retailer, of course, who is primarily responsible for having these products for the consumer to buy at a moment's notice. But the major part of this problem is solved for the retailer by the jobber or manufacturer who has them ready for quick delivery from near-by warehouses. The purchasing department of manufacturing plants performs this function in obtaining supplies and raw materials for processing.

Storage and Transportation

The functions of physical supply are, of course, equally essential with buying and selling. For even when the buyer and seller have been brought together and the sale made, delivery cannot take place unless these functions are properly performed. In fact, these functions are often partially performed before any sale has been made.

Modern developments in transportation have made possible large markets and large-scale production. Just as large-scale production is impossible without large markets, so large markets extending over the wide area of the present time would be impossible without modern transportation. It follows, consequently, that transportation has also made possible the higher degree of specialization in industry which we know today. It has done this through reducing the cost of physical distribution and by increasing its speed. If the cost of transportation is too great, marketing areas are necessarily limited. When transportation is slow, larger stocks must be carried, and perishable commodities in particular cannot be distributed over wide areas. In fact, the whole modern development of the perishable fruit industry, for example, was impossible until the development of cheap and effective cold storage and refrigeration in transit. Finally, by decreasing the cost and time elements in transportation and thereby making possible modern methods of production, transportation has enormously increased the variety of products available for consumption.

Storage has always been important particularly to the use of agricultural commodities. These commodities are commonly harvested during a short season and have to be stored in order to be consumed during the rest of the year. Other uses for storage arise out of the fact that large individual manufacturing plants commonly produce "for the market." That is, they produce on the assumption that a sale will be possible soon after

the product is produced. In such cases they do not wait to start production until orders have been received. And even when orders are received in advance, they are frequently smaller than the volume which is produced. Moreover, many advance orders are really in the nature of options for which the buyer does not pay and which he feels free to cancel at a later date. Again, many manufactured products are sold seasonally, but if the greatest economies in production are to be achieved, they have to be produced in advance of the season. Under such conditions, a large volume of products has to be stored in factories, wholesale houses, or in retail stores awaiting orders. Manufacturers and dealers find it desirable to keep large supplies of many products on hand in order to guard against shortage in case supplies prove difficult to obtain or an unusual demand develops.

It was indicated in the paragraph on transportation that cold storage, a relatively modern development, has with refrigeration in transit been responsible for, and is absolutely essential to, the adequate functioning of the enormous business in perishable commodicites.

Standardization

Sorting and rearrangement and packing by size, quality, and quantity — the standardizing function — is another important marketing function. Farm products in particular must be sorted or graded. Oranges, for example, as they come from the orchard are sorted as to quality, and each quality is sorted by size. And those of uniform quality and size are packed together for the market. Other products such as wheat or cotton are sampled. That is, a small sample is taken from the car or bale and used to determine the grade of the lot, or as a sample by which buyers can determine the quality of the whole and make their purchases. Farm products are also accumulated or divided into quantities suitable for sale on the market. Livestock from a number of farms may be brought together to make a car lot for shipment into the central market, or a carload of eggs may be divided into lots of suitable size for sale at wholesale or retail.

Manufactured products usually are standardized when they come from the factory and the problem of grading is not usually a part of the marketing process. The wise manufacturer produces to standards which are determined by the needs of the market. But the process of dividing manufactured products into lots of certain sizes for sale on the market is an important one. Many manufacturers of consumption goods place them in standard containers for sale to wholesale and retail stores. In fact, the modern

tendency is to place them in containers of the size demanded by consumers and ready for distribution in the original package to the consumer.

The problem of the right size of package for sale to the consumer or the right number of packages to comprise the right shipment to jobbers and retailers is important in the sale of both farm products and manufactured articles. Retail stores have found that many perishable farm products are shipped in containers containing too large a volume for the retailer to sell before the last units of the package have deteriorated in quality. This is particularly likely to be true during the early part of the season when the commodity sells at a high price and in small quantities. That manufactured products are frequently shipped to wholesalers in packages too large to suit many retailers is evidenced by the large number of broken package rooms found in wholesale establishments.

The extent to which goods are standardized is important in the determination of the ease with which the product can be sold. If they are not or cannot be accurately standardized, they must be sold in bulk after inspection by the buyer. On the other hand, if they are well standardized, they may be sold by sample or even by description and brand.

Financing

The marketing of commodities calls for physical resources in machines, materials, land, and men; and particularly for investment in goods held in storage awaiting sale, as well as for goods which have been sold but not paid for.

Part of these needs are met by the invested capital of the manufacturers and middlemen engaged in the marketing processes. But a highly developed financing system exists to supply the cash and credit necessary for meeting the expenses of marketing, and more particularly for carrying the investment in raw materials awaiting production and in processed and finished products awaiting sale, as well as to carry the accounts necessitated by credit sales. Under our present economic system where goods are sold for cash or on credit rather than by barter, it is absolutely essential that such funds shall be provided. And since the demands of any individual manufacturer or middleman may vary enormously from time to time throughout the year as well as from year to year, it is frequently impossible for him to use his own funds for this purpose. Since the various credit facilities for meeting this need are discussed in the section on banking and finance, they will not be discussed here.

Risk-Taking

The assumption of risk is an all pervasive function in modern business. Risk arises from natural causes such as fire, flood, storm, deterioration; from human causes such as theft or bad debts. But most important of all for our present discussion, enormous risks arise in marketing. Styles may change with a resulting depreciation of market values of materials in stock. Financial difficulties may make it impossible for middlemen and consumers to buy or to pay their debts, and finally, price changes due to changing values in money often cause difficulty in financing. All buying and selling involves risks of the kinds mentioned. Fruits and vegetables may deteriorate en route to market; prices may fall before commodities can be sold; raw material prices may rise after finished commodities have been sold for future deliveries at a stipulated price, or general market or financial conditions may make it impossible for consumers to buy or to meet their obligations.

Risks connected with the sale of foodstuffs and agricultural products in general have been especially noteworthy in recent years. The invention of new processes, of new containers, of new methods of distribution may soon revolutionize the sale of food products. While at the present (January 1932) the new processes are introduced only to a limited extent, the apparent success of them augurs well for their further development. The new quick freezing process, for example, has large possibilities. When this process has been widely introduced, it may be possible that all retail meat markets will be simply depots for the distribution to the ultimate consumer of packaged chops, steaks, and roasts that have been killed, cut, and packaged long before in central abattoirs, subjected to a very low temperature at once, and then kept below freezing until handed to the retail purchaser. Berries treated in the same way now turn winter into summer even for the consumer who buys only reasonably priced food products. Berries so packaged, frozen, and kept for weeks differ little if any from those just picked from a garden. Peas, beans, and scores of other vegetables are on the market now in the middle of a northern winter with the freshness of summer and with prices almost as low. Such developments bring new problems.

Agricultural producers have suffered from overproduction more than from any other one cause. New developments in cooperative marketing, however, may soon revolutionize sales methods for cereals, and live stocks. Possibilities in those lines make larger risks for present day dealers sure unless they revise their present systems.

METHODS OF SALE

Three major methods of sale are used in the marketing processes. The first and most crude is **sale in bulk.** This method in its crudest form is of comparatively little importance under modern conditions but is still found in the purchase of some farm products. Eggs, for example, are sometimes sold by the "case count" method, under which all eggs, good and bad, cracked and dirty, are purchased at a flat price. A more refined method of sale in bulk is sale by inspection. Under this method all of the product to be purchased is inspected by the buyer. By this inspection he endeavors to learn the quality of the product and makes his offers for purchase on the basis of the inspection. Livestock and many other farm products are commonly purchased by this method at country points and even in the wholesale markets. Goods sold at retail likewise are frequently purchased by the consumer on this basis.

The second method — **sale by sample** — involves a more refined process and is commonly used in wholesale buying and selling. The essence of this method is that sales are made on the basis of a sample which purports to represent the bulk of the products offered for sale or desired for purchase. Such samples may be sellers' samples, such as are commonly carried by traveling salesmen, buyers' samples which may be presented by the buyer to a prospective source of supply with a view to obtaining bids on products which are to be like this sample. Finally and very common, although not ordinarily recognized as samples, are products in use. Most consumers, for example, commonly buy products which are like those which they have used or are using. If we like the cigar we are smoking, we buy another one like it. If the coffee is good, we buy it again. If the typewriter is satisfactory, we buy a new typewriter or additionsl machines like the one in use.

Effective sale by sample is based upon two important considerations: first, on our belief in the ability of the one from whom the purchase is made to supply commodities like the sample; second, on belief in the intention of the seller to do this. Both points are important, for even though the buyer may be legally protected to a certain extent when buying on sample, he is not interested in purchasing a law suit.

Sale by description is the most refined and most recent development in methods of sale. It may be based upon the seller's

description, upon the buyer's specification, or upon a grade name or other symbol. Sellers' descriptions are usually presented by salesmen or in advertising. They represent an attempt on the part of the seller to tell the prospective buyer what the product is and what it will do. It is evident that the ultimate success of this method depends upon the ability of the seller to describe his product in terms which the buyer can understand, and finally, on the belief of the buyer that the seller can and will deliver products which correspond to the description. In case of buyer's specification, the description is obviously made by the buyer, and again its success depends upon the belief of the buyer that the seller can and will deliver products which correspond to the specifications. The most refined aspect of sale by description is sale by grade name or symbol. In this case, the description of the product is presumed to be familiar to the buyer, and the symbol simply serves to indicate that the product involved is the product he has in mind. The consumption goods of everyday purchase are bought on this basis. We ask for a certain brand of cigarettes in the retail store; we call up the grocer and ask him to send out a certain brand of coffee, flour, or cheese.

Middlemen

The relations of middlemen with those whose products they distribute are numerous and vary greatly in detail. Even a particular middleman frequently has different types of relationships with those whose products he sells. There are, however, two basic types of business relationships. The first of these is the merchant relationship, in which the middleman buys the products he handles from the producer, or from other middlemen, for the purpose of resale to customers. In the second type of relationship the middleman does not take title to the goods but is paid for his efforts in buying and selling for the purchaser or owner on a commission or brokerage basis. In the first class of relationship the middleman takes all of the risks involved in the ownership of the goods he handles. In the second these risks are retained by the owner of the goods until the sale is made and then they are carried by the new owner. In the discussion which follows a number of important classes of middlemen found in our marketing machinery will be described.

The Broker

The broker ordinarily assists in the performance of but one of the exchange functions, buying or selling. His activities are the least complicated and will be discussed first. In the basic

brokerage transaction the broker simply seeks out a buyer for the seller's product or, if he is representing a buyer, seeks out a source from which the buyer can purchase the materials he wants. In performing these operations, the broker simply brings the buyer and the seller together and the transfer of title, financing, and other arrangements are completed by direct negotiation between the buyer and the seller. It is quite common, however, for the broker to go further than buying and selling and work out these other arrangements so that when the sale is finally made buyer and seller know exactly the basis on which the sale is made, the conditions of payment, place and method of delivery, and any other operations which are essential to completing the transaction.

Brokers are found in the sale of farm products, raw materials, and manufactured products. Large shippers of agricultural products, for example, frequently notify brokers in central marketing cities that they have products to sell; the broker then gets in touch with possible purchasers in his own city or in markets in other cities. He finds what these purchasers are willing to pay, notifies the shipper, and if the price and other terms are satisfactory, a sale is made by the shipper to the prospective buyer. Textile manufacturers frequently buy raw materials, cotton for example, through brokers, and sometimes sell their finished products through such an agency. Canned goods, flour, and some other grocery products are also sometimes sold through brokers.

It has already been indicated that brokers frequently perform more of the marketing services than were indicated above. The broker for the shipper of perishable fruits or vegetables, for example, may inspect commodities when they reach this market. This is done to determine whether they have been properly handled by the shipping company, and whether their condition will warrant shipment to more distant markets. In many cases, this relationship leads to a continuous representation and in some cases to payment of a salary rather than a brokerage fee. Retailers sometimes purchase commodities in central wholesale markets through brokers. This relationship may again lead to a continuing relationship and the development of a broker into what is sometimes called a purchasing agent in the hardware trade, or a resident agent in the dry goods trade. When operating on this basis, they may continue to be paid a brokerage fee or they may become resident buyers working on a salary.

The Manufacturers Agent

When the broker has a continuing relationship with the seller, he is sometimes given specific prices at which he can sell and

specific terms may be understood. In this case, he becomes what is sometimes called a selling agent or a manufacturers' agent. Manufacturers' agents frequently sell a group of related items, such as textiles, or hardware materials, or factory equipment. When this is done, the articles handled are, as a rule, related and part of a general "line," but non-competitive.

The operations of broker and manufacturer's agent are advantageous to those shippers or manufacturers who do not have a sufficient volume of business to warrant the use of salesmen of their own. These middlemen, because they represent a number of shippers, are able to obtain a volume of business which makes it possible for them to operate on an economical scale and yet charge to each product a brokerage fee which is smaller than would be the cost of individual salesmen for each product. When a shipper gets to a point where this is not true, that is, where the volume of business which he is selling in a certain territory shows promise of a sufficient increase, it may be possible for him to hire his own salesmen as economically as he can hire a broker or manufacturer's agent. When this is the case, it is usually considered preferable to have a salesman who is specializing in sales entirely for this one seller and working directly under his supervision. A broker or manufacturer's agent is, after all, an independent business man, buying and selling for a number of plants. He cannot be as closely controlled as can the house's own salesman, and since he is operating for a number of houses, he cannot devote the time to each that that firm's own salesman can devote.

Many brokers are in touch with great numbers of buyers and sellers in their own market and frequently in markets covering an extensive geographical area. Because of their contact with so many buyers and sellers, they have an excellent knowledge of conditions in the market. So great is this knowledge of marketing conditions that in some cases firms having their own buying and selling organizations still do some business through particular brokers in order to obtain advice on general marketing conditions, which they would not otherwise be able to obtain.

Commission Men

Another important middleman of this same type is the commission house, or as it is usually called, the commission man. The commission man exercises more functions than the broker or the selling agent and has more control over his clients' products. When goods are consigned to a commission house it is with the understanding that the house can sell them where it will and at whatever price it decides the market warrants. It is assumed,

of course, that it will obtain the best price available and its success depends upon the belief of the consignor that this is being done. Since the commission paid for selling is commonly based on the amount of the sale, there is usually a direct incentive to do this. On the other hand when, as in the agricultural market, the commission man may be in a market far removed from the shipper and may also be handling goods on a merchant basis himself, there may be a temptation to collusion with the buyer, or to sell goods which he himself owns in the most favorable market and sell the consigned goods where he can. Most of these things have been done often enough to cause many sellers to fear the commission man. In the agricultural field, for example, it has sometimes been claimed, and in some cases proved, that commission men have declared goods to be of lower quality than they really were and have kept the difference in price for themselves. Dishonesty of this type is, of course, not confined to the commission business. But when the shipper is not in a position to check for himself, the temptation to such operations is great and it may be difficult to check on a commission man's operations. The great bulk of such operations are, however, carried on with complete honesty on the part of the commission house and the method continues to be important in many lines.

In contrast with brokerage operations where payment is ordinarily made directly from the buyer to the seller, the commission man collects from the buyer, deducts any expenses to which he has been put, such as payment of freight bills, inspection fees, warehouse fees and weighing, and his own commission for selling, and remits the remainder to the owner of the goods.

Commission men frequently assist with the financing operations. This again is a function not ordinarily performed by either the broker or manufacturer's agent. In the agricultural market, for example, a commission man commonly allows the shipper to draw on him for a considerable share of the market value of the goods as soon as they are shipped. This frequently means that the commission house has its own money invested in the goods for a considerable period of time before they are sold. Some agricultural products are en route to market for several days or even two or three weeks, and manufactured products may be in storage for a considerable time before they are sold. In the cotton textile trade the commission man has frequently financed the mills whose product it sells by direct loans to the mill, by endorsing the mill's commercial paper, or by guaranteeing the mill's accounts. Although this method is less important today than formerly, it is still used by some of the less well financed mills. In the textile

trade, commission houses have sometimes gone further and furnished the mills with the designs and patterns which they use.

As in the case of the broker, the commission man may operate on a continuing or contractual basis with the customers whose product it sells. Or it may simply handle shipments consigned from time to time. In either case, good business necessitates a distinct understanding, perhaps a written contract, covering the conditions under which the operations are to be worked out. In a few lines such as the grain and livestock trades organizations of dealers have laid down the conditions under which their members shall operate. If these conditions are well understood in the trade, they may serve as a satisfactory basis of operation. But in any case, it is well to have a distinct understanding with the commission man before operations are begun.

The economic basis for the use of the commission man is similar to that of the broker and the manufacturer's agent. That is, through representing a number of sellers, the commission man is able to do a relatively large volume of business, which supplies sufficient income to warrant his having a large enough organization, and to keep in close enough contact with the markets to tender a satisfactory service at a cost which is lower than a similar service which the seller could perform through his own sales organization. The financial assistance which commission men offer is also of great importance to shippers who are not well supplied with funds or who do not have sufficient credit standing to obtain money themselves in sufficient quantities and at reasonable rates.

Wholesale Merchants

Middlemen who buy outright from manufacturers or from producers or local buyers of agricultural products, or who buy raw materials from producers and local shippers, for resale to manufacturers, jobbers, or retailers, are commonly known as wholesale merchants. Such middlemen, since they buy the product outright, bear all the risks involved in the ownership of goods — such as physical depreciation, style change, price change, and credit losses. They must also provide funds with which to pay for the products purchased and they frequently extend credit to those to whom they sell. They must provide for the warehousing of the commodities they own and often engage in standardizing and packing operations. In other words, the wholesale dealer may be called upon to perform all of the marketing functions. In some cases, as will be seen in the discussion of direct marketing, the middleman is not called upon to perform all of

these functions, since the rest may be performed by those who sell to him or to those who buy from him. Wholesale middlemen who buy outright are known by various names in different trades and their operations vary to some extent. A few of the more important types will now be discussed.

Jobbers

The best known middleman of the manufacturer's wholesale market is the jobber, sometimes called the wholesaler, who buys manufactured products directly from the manufacturer, or through broker, manufacturer's agent, or commission man, for resale to retail dealers. His primary service is to assemble the various products which his retail customers wish to buy. His operations are consequently largely determined by the needs of the retailer rather than by the needs of the manufacturer. His success as a business man depends upon the economy with which he can supply his retail trade with the products which they need and upon the degree of satisfaction his service gives.

The service of assembling products of the kind needed by the retailer for supplying his consumer trade is perhaps the chief service of the jobber to the retailer. In lines of retailing where the jobber is most important, as in dry goods, hardware, and groceries, there are hundreds of manufacturers producing goods for sale to the retail trade and thousands of retailers who buy them. If all of these manufacturers sent salesmen to the retailer and mailed literature to him the average small retailer would have to have a buying department many times as large as his sales department. Such a situation is manifestly impossible, since the volume of sales of most retailers warrants very little buying expense. Moreover, the jobber, because of his constant contacts with many manufacturers on the one hand and many retailers on the other, is in a particularly effective position to pick out those products which consumers are most likely to buy. Again, because of his varied contacts, the jobber is also in a better position than the average retailer to determine price trends. And finally, since the retailer is ordinarily in contact with a very small number of consumers whereas the jobber is in contact with a large number of retailers, the latter can also forecast trends in consumer demand more effectively.

The second important service of the jobber is that of performing the storage function. The jobber carries a stock of goods on which the retailer can draw from time to time. This makes it unnecessary for the retailer to carry a large investment in merchandise, and in case he runs short of certain commodities he can be

supplied with them on very short notice. He is, therefore, enabled to do a given volume of trade on a relatively small investment in stock, and since delivery can be made quickly from the near-by jobber's warehouse, he need seldom be out of merchandise which his customers desire. The importance of this service to the retailer is realized by those manufacturers who attempt to sell directly to the retail trade. One of the first questions commonly asked by the retailer of a direct-selling manufacturer is where the nearest stocks are carried. In order to get such trade, the manufacturer who does not sell through jobbers usually finds it necessary to have a large number of warehouses of his own or else to make arrangements with public warehouses or jobbers to carry stocks for him. Closely connected with this warehousing service is the delivery service which the jobber commonly operates in connection with his business. In densely populated areas orders which are received at night are often delivered the next day, frequently in the morning; in fact, in many cases, orders received in the forenoon will be delivered in the afternoon of the same day.

A further service performed by the jobber is to divide the products he receives into small quantities of the kind and quality demanded by the retail trade. In many cases this has already been done by the manufacturer and the package which the retailer purchases of the jobber was put up by the manufacturer. Even in this case, however, economical buying and transportation has frequently necessitated the purchase of a large number of such packages from the manufacturer. These in turn are sold to the retailer in single packages or in small numbers. Many jobbers, however, go further than this and divide packages which have been received from the manufacturer for delivery to the retail trade. In the grocery and drug trade, for example, many wholesalers operate what is known as a "broken-package room." In such a room, products which are shipped in dozen lots are broken open in order to deliver to the retailer in lots of one, two, or half a dozen units as he may demand. And in the drug trade many retail stores have a single customer who buys a particular patent medicine at infrequent intervals. If such products are shipped in packages of a dozen bottles, the retailer would have to carry a relatively large stock in order to meet a very small number of consumer demands. But if the wholesaler will sell him a small number of bottles, he will be able to meet these needs and yet keep his stock down. This demand of the retailers has in some cases come to be known as the "broken-package evil," for competition among wholesalers frequently makes it possible for the

retailers to be utterly unreasonable in his purchases. Such buying in small lots from day to day involves additional expenditure for selling, deliveries, and billings. In many cases, the cost of billing and delivering a single unit is as great as the same cost for delivering packages of a dozen units. But whether such service is economical or justifiable, at least it is frequently an important part of the jobber's service from the point of view of the retail store.

Another common service performed by the jobber for the retailer is the granting of credit. Although a considerable amount of "cash and carry" business is done with retail stores, it is nevertheless true that the great bulk of business with retailers is done on a credit basis. The retailer may be allowed credit for a week, two weeks, or a month, and even though cash discounts may be given, a large percentage take the full credit period. In fact, in lines where competition between wholesalers as well as between wholesalers and manufacturers is very keen, retailers are frequently allowed much longer than the normal credit period in which to pay. Financially weak retailers are often carried for long periods of time after good business would seem to warrant closing them out.

Finally, the wholesaler frequently gives advice to his retail customers on matters of great importance to the retailer's business. Because of his contact with retailers on the one hand and manufacturers on the other, as well as his knowledge of the business of his competitors, the wholesaler is in a much better position than any but his larger retail customers to know the trends of the trade. He can warn retailers of probable price advances and price declines, of developing style changes and developing trends in consumer wants. Moreover, merchandising methods which prove effective for one retailer can be relayed to others. Finally, many large wholesalers have merchandising men or merchandising departments who study retail methods for the purpose of passing this information on to retailers. This may be done by house bulletins, booklets, or through salesmen, and in a few cases special merchandising men are sent out to advise retailers. This particular service has assumed considerable importance in recent years on the part of those wholesalers who have founded "voluntary chains" (to be discussed later) with some of their retail customers. The extent to which such services are carried and the value of the service to retailers varies, of course, with the ability and willingness of the jobber to help on the one hand, and the size and efficiency of the retailer on the other. Small jobbers selling to great department stores can hardly be expected to give

the store information on general merchandising policies although they do in some cases give valuable advice to particular department buyers.

In performing these services which are necessary to serving the retail trade, the jobber is in a position to perform valuable services for the manufacturer whose product he buys. It will be worth while, therefore, to look at the jobber's services from the point of view of the manufacturer. In selling to the jobber, the manufacturer places his goods in the hands of a middleman who has an established selling organization and an established retail clientele on whom his salesmen are making frequent calls. In a sense, therefore, the manufacturer who can induce the jobber to stock and push his product has a ready made market, where as a rule jobbers will not buy any product in large volume unless they believe it can be readily sold to their retail customers. From the manufacturer's point of view, therefore, the jobber's primary function is to sell his product to the retail trade. But when there are a number of manufacturers of competing lines who sell to a jobber, some are likely to find that this selling service is not satisfactorily performed. Many manufacturers, moreover, find that the jobber will not purchase their products at all unless a demand by consumers and retailers has already been created by the manufacturer himself. This leads to much criticism of the jobber by the manufacturer. He claims that the jobber is not willing to stock his product or else that the jobber who has stocked it does not devote the proper amount of selling effort to it. Much of the ill-will between manufacturer and jobber would be eliminated if the manufacturer were to analyse more carefully the jobber's position in his trade.

In the first place, it must be borne in mind that the jobber's success as a business man is tied up with his success in giving good service to the retailer rather than to the manufacturer. His chief aim is to purchase the kind of goods which his retail trade demands, and in doing this he endeavors to purchase goods which can be resold at a profit. It is immaterial to him from what manufacturer he buys such goods. As a rule, it is immaterial to him whether he sells manufacturer A's product, or manufacturer B's, so long as retailers buy it in sufficient quantity and at a price which nets a reasonable profit. Of a half dozen manufacturers whose competing products he may carry, he sees no particular reason why one's product should be pushed more than another. In fact, he is probably quite willing not to push any of the products but simply to accept such orders as he can get from the retailer. His chief business problem is to sell his services

— the supplying of goods — to the retailer. This does not involve, as a rule, the necessity of pushing any particular manufacturer's product. It involves, rather, having everything which the retailer may want and supplying the retailer with the kind of service which is demanded.

In the second place, the average jobber handles a wide line of goods. He may be handling products made by literally hundreds of manufacturers. Under such conditions, it is manifestly impossible for him to make any distinct effort to sell the product of all of these manufacturers. So far as a manufacturer's goods are concerned, the jobber is an order-taker, not a salesman. To repeat, the thing he is selling is his service, not the manufacturer's goods. At times he may feel it worth his while to push some particular manufacturer's product. But such efforts are due to his belief that they will result in increased profits to him, because of wider margins or because his sales efforts will induce the retailer to take certain products which the retailer in turn can sell in large volume.

Some manufacturers have endeavored to induce wholesalers to push their product by making special inducements. They may allow only one wholesaler in a territory to handle their product and give him a margin of profit which makes the wholesaler feel it is worth his while to make a special effort to sell the product. Even if the wholesaler does not make any special effort to sell the product, if he can be induced to handle only one manufacturer's product in a line for which there is considerable demand, it may result in a large volume of business for him. Other manufacturers have tried to interest all wholesalers in their product by selling to them at a price which makes it worth while for the wholesaler to push the product. The difficulty with such a scheme, however, has usually been that first one wholesaler and then another thinks he sees an opportunity by cutting prices to obtain a larger volume of business. This in turn leads to cutting prices by competing wholesalers and in the end the result is a reduced margin to all and a declining interest or even actual disinclination to sell the product on the part of all.

A second service which the jobber performs for the manufacturer is in carrying stocks to supply the retail trade. To the extent that jobbers are willing to carry stocks of a manufacturer's products it becomes unnecessary for him to attempt to ship to a large number of retailers or to establish local warehouses of his own. Many manufacturers who advertise to consumers and use other means such as demonstration and sampling to interest consumers in their product or who send salesmen directly to retail

stores, nevertheless sell their products to jobbers who perform this storage and delivery service for them.

A third service which the jobber may perform for the manufacturer is financial. Such assistance is two-fold. In the first place, the jobber ordinarily pays cash or at least pays within a short time after the receipt of the goods. This is, of course, of great financial assistance to the manufacturer since it makes unnecessary the investment of his own funds in stocks awaiting the demand of the retail trade. In some cases, formerly to a very much larger extent than at present, wholesalers actually advance funds to the manufacturer, with which they paid their labor bills and sometimes purchased raw materials. In trades where the seasonal nature of the demand makes it necessary for manufacturers to produce great stocks before they are bought by the retail trade such financial assistance by the wholesaler may be very important. Modern manufacturers are, however, better financed than formerly, and such financial relations are relatively unimportant today and grow less important as time goes on.

Although the jobber is unwilling to exert any extensive sales effort for a product, manufacturers do find that in many cases he is glad to buy and handle their product if there is a demand on the part of their retail trade. For although a manufacturer may feel compelled to exert a large part of the sales effort which is used to sell his product, he may nevertheless find it advantageous to use the other services which the jobber offers. In such a relationship, the jobber's salesmen take the day-to-day orders as they call on the retailer. The jobber carries the manufacturer's stocks in his warehouse, and takes care of deliveries; he carries the accounts of the retail trade. With the jobber's funds invested in stocks, the risks of ownership are transferred to him.

More recently, however, many jobbers have even refused to carry what the manufacturer considers adequate stocks and have insisted on being supplied from stocks which the manufacturer carries in his own branch warehouse or in public warehouses. Even so, the manufacturer may still find it worth while to use the jobber's services because even the small stocks carried by the jobber will still care for the immediate demand of the retail trade. Delivery service is also performed and retail credits continue to be carried by the jobber.

Finance Assistance

The second type of financial assistance which the jobber performs for the manufacturer is in carrying retail accounts. It is customary in most trades to grant retailers some time to

pay for the goods which they buy. When the goods are sold to the jobber, it necessarily follows that his money rather than the manufacturer's is invested until the goods are paid for. Moreover, many manufacturers sell a relatively small line of products which are bought in small quantities by large numbers of retailers. For the manufacturer to investigate the credit standing of the hundreds or thousands of retailers who may buy his product and to carry on the necessary collection service, would involve prohibitive expense. The jobber on the other hand sells, in addition to this manufacturer's product, the product of many other manufacturers. The orders he takes from a given retailer over a period of time are much larger than the orders which would be received by such a manufacturer. Moreover, the jobber is on the ground in close contact with the retailer and his salesmen are making frequent calls. He can, therefore, keep in constant touch with the financial standing of the retailer and collections are frequently made when the salesmen make their regular calls. The expense, therefore, of making collections is spread over a large volume of business, and so is much less per unit of goods sold than would be the case if the manufacturer sold directly.

The Private Brand Problem

What is known as the private brand problem is the frequent cause of difficulty between manufacturers and jobbers. Many jobbers have their own labels attached to some of the products they sell. In some cases, they actually manufacture the products so branded, but the majority of labels are placed on products manufactured for this purpose. These products very commonly are sold in competition with similar products sold under manufacturers' brands. The manufacturer claims, often with justice, that under these conditions he cannot expect the jobber to push his product. He believes it but natural that the jobber would prefer to push his own private brand to the detriment of the manufacturer's. It is commonly assumed that the jobber makes a wider margin of profit on the goods which bear his brand and it is likewise natural to assume that the jobber through selling his own branded products hopes to build up a good will for his firm which is based on the products he brands as well as on the services he renders.

Various reasons are given for jobber brands. The importance of each probably varies from jobber to jobber and with the same jobber from time to time. First of all is the desire to control his market, since his own brand can be used to create a desire for products which only he can supply. Closely related to this is a

negative reason. Jobbers fear that after spending considerable time and effort in building up a demand for one manufacturer's products he may decide to market it through other distributors or directly to the retail trade. And even if the manufacturer has himself created the demand for his product, its withdrawal would leave a hole in the jobber's line. Again, the jobber frequently objects to the margin of profit he is allowed on the manufactured product. He finds particularly that in products well known to the consumer there is a tendency for the manufacturer to cut this margin. The jobber claims that it thus becomes unprofitable for him to handle. He says that the manufacturer takes advantage of the good will which has been created for his product, and which tends to force the jobber to handle it because his retailers ask for it, to cut down on the margin. On the other hand, manufacturers have often found that if a reasonable margin is allowed to jobbers, the competition is so keen that first one jobber and then another will cut prices in order to obtain a larger volume of business in this line. This ultimately forces all jobbers to cut prices and so narrows the profit margin. Moreover, the manufacturer often claims that since he is himself, through advertising, the use of missionary salesmen, demonstration, sampling and other means, creating the demand for his product, the jobber is not rendering this particular part of the jobber's service and consequently should not be allowed the normal jobbing margin. Or, the manufacturer may claim that since the demand for his product is already created, all the jobber has to do is to take orders and handle the product.

Another reason for the use of jobber brands is the desire on the part of some jobbers to utilize advertising to create a demand for products he controls, and in order to advertise effectively, it is usually desirable to brand the product. Finally, the jobber's brand may be an indirect result of his desire to be assured of a supply of certain products to sell, through manufacturing his own products or controlling the supply from certain factories.

It is natural that arguments of this kind should arise. The modern trend in merchandising is apparently toward an increasing demand on the part of the consumer for branded products. It is to be expected that both manufacturer and jobber should endeavor to take advantage of this situation. A manufacturer who sells unbranded products to jobbers may at any time learn that the jobber's business has been transferred to a competing manufacturer. When this happens, his market for that product is completely destroyed, since any good will which is attached to his product belongs to the jobber who has branded it. The

jobber, on the other hand, realizing the good will which attaches itself to brands, quite naturally seeks the advantages to be derived from using his own brands. Finally, the manufacturer who has branded a product which is sold through jobbing channels in competition with jobbing brands quite naturally comes to the conclusion that the jobber's interest is in his own brands rather than in the manufacturer's.

Jobbers of Agricultural Products

Many agricultural products are sold to final consumers through retail stores in approximately the same form in which they leave the farm. Such products are handled through a special group of jobbers who make it their business to buy farm products for resale to the retail trade. Sometimes they buy directly from growers or local shippers in the country, but more commonly they buy from commission houses and other wholesale middlemen in the large wholesale markets who specialize in receiving products from the country. The operations of these jobbers are, however, similar to those of the jobber of the manufacturer's market which have already been discussed.

Justification of the Jobber

The economic justification for the jobber arises from the fact that the cost of distribution may be reduced when his services are used. Since he handles a variety of related products which are purchased by the retailers to whom he sells, he is able to effect certain economies. When his salesmen call, instead of taking orders for a single product as would be the case with many manufacturers should they try to sell directly, orders are taken for a number of products. This increases the size of the order and consequently reduces the cost of the call. For the same reason it reduces the cost of sending the order through the warehouse, recording of sales, and making delivery. The cost involved in determining credit and making collections is likewise spread over a large number of items.

Any attempt to eliminate the jobber's service must consider this situation. If direct distribution will result in higher cost per unit sold, the result is likely to prove uneconomical, or at least it must be offset by other advantages. Among these advantages from the point of view of the manufacturer may be the fact that he is able to obtain a larger volume of sales, better prices, or more frequent repeat orders. If the larger volume of business or more frequent repeat orders make it possible to operate on a larger scale, this may result in economies in production which

partially, completely, or more than offset the added costs of distribution. When it is realized that direct distribution involves the duplication of all phases of the jobber's services, it will be seen that the manufacturer who sells directly or the retailer who buys from the manufacturer will find his costs of distribution very high, unless the product involved is purchased in large quantities by a single buyer or unless a variety of products are so marketed. A manufacturer of catsup, for example, would probably find it uneconomical to distribute directly to retailers over a very wide territory. The Heinz Company, on the other hand, handling catsup and many other products, is able to obtain some if not all of the economies which the jobber obtains.

Jobbers' Specialization

Jobbers commonly specialize by lines determined to a large extent by the type of retail store to which they sell. Thus, we have grocery jobbers, drug jobbers, hardware jobbers, and dry goods jobbers. The variety of products carried by jobbers in these and other lines varies considerably. Thus some grocery jobbers carry a very wide line of grocery products, including most of the nationally advertised brands, many unadvertised brands, and brands of their own. Even the wholesale grocers who carry the widest lines, however, do not carry all the products which the retail food store handles. In this line as in many others a great number of products are handled by large manufacturers who sell directly to the retail trade, such as the meat packers, National Biscuit Company, and Heinz. Moreover, most retail grocery stores handle bakery products, green goods, and dairy products which are marketed through other specialized channels of distribution. A great many wholesalers specialize in rather narrow lines. Again referring to the grocery trade, we find cheese jobbers, candy jobbers, and jobbers of delicatessen products. In the dry goods trade, likewise, we have some jobbers handling a very wide line but many others specializing in much narrower lines, such as notions, knit goods, silks.

This specialization is not confined to jobbers. All middlemen specialize by line as well as by position in the channel of distribution. As a rule these lines are determined by the customers to whom they sell. In the agricultural trade, for example, we find some brokers engaged in the grain trade, some engaged in the cotton trade, and others engaged in the handling of narrow lines of fresh fruits or vegetables. Manufacturers' agents, likewise, are found who handle only certain kinds of cotton cloth or who sell only to hardware jobbers or retailers.

Wholesalers Who Sell to Manufacturers

An enormous volume of business is done by wholesale merchants who are engaged in supplying manufacturing plants with the raw materials, supplies, and equipment which they use. Mill supply houses sometimes carry as much as thirty or forty thousand items consisting of machinery and other equipment and supplies used by manufacturing plants. Wool merchants and cotton merchants carry large supplies of wool or cotton which they buy from growers and country shippers for sale to mills using these products as raw materials. Terminal elevator companies store vast quantities of wheat which is ultimately sold to flour mills.

The Retailer

The service of the retailer is to supply consumers with the goods they desire for personal consumption. In performing this service, the retailer ordinarily performs some part of all the marketing functions which are involved in bringing goods from the producer to the consumer. He must interpret the demands of the consumer for the particular line of products which he handles. He must assemble the variety desired and store them at convenient points ready for delivery and usually on a moment's notice. He must finance his retail operations, which often includes granting credit to his customers. He must bear the risks involved in granting such credit and in carrying the stock which he buys. Finally, he must create a demand for his retail service if he is to succeed. For while there is a demand for retail service in general, it is usually true that any one retail store (in fact, many retail stores) could be eliminated without much loss to the consumer. If he is to continue in business, he must. therefore, make a definite effort to develop volume.

Among the more important type of retailers are general stores, specialty stores, and various types of large-scale retail establishments. The general store handles a variety of products. Such stores were formerly found in large numbers in small towns and country cross roads. They are declining in importance today, but they still perform an important service in many localities. The specialty store is ordinarily engaged in handling a relatively small line of products such as shoes or men's clothing. Under modern conditions of merchandising, however, an increasing volume of business is performed by large-scale retail establishments such as the department store, mail-order house, the regular chain store, and the voluntary chain. In many foreign countries, coöperative stores owned by consumers are also very

important. In the United States, however, this type of retail organization has never assumed great importance.

Certain merchandising policies and methods in organization and management have been developed to a high degree in most up-to-date retail stores. These policies are of particular importance to large stores, but they also predominate to a large extent in small stores. Among the most important of these are the policies of one price to all and no solicitation in the store. The necessity for one price to all customers was probably due originally to the growing variety of goods handled in a single store and to the use of hired employees in large numbers, coupled with the relatively small volume of most retail purchases. This policy has now become so important that it is generally accepted by consumers, and any deviation from it on the part of an individual store is likely to be looked on askance by the great number of consumers. To haggle over a cigar, a pound of butter, or quart of milk, would take too much time on the part of both retailer and consumer. Moreover, if a store has a large number of clerks, it is practically impossible to give them any leeway as to prices. Their knowledge of costs and of the goods they sell is likely to be limited and since they have no investment in the store, they have little interest in obtaining the best possible prices.

Most people do not like to be urged to buy. This is particularly true when they go into retail stores. Long ago certain merchants sensed the fact that a customer who is allowed to look over the stock is likely to stay longer and buy more. This does not mean that suggestions should not be made or that real efforts should not be exerted to convince an interested customer of the merits of the goods in question. In fact, the chief difficulty in many stores is to educate the clerks to a happy medium which lies somewhere between an apparent lack of interest in the customer and a too great desire to make a sale.

A further merchandising policy of considerable importance to many stores is the return privilege. It is not usually considered good merchandising to force customers to keep goods which are not satisfactory or which are, after purchase, found to be undesirable. Moreover, there are many products which the consumer finds it difficult to decide upon while in the store. Mother's coat and hat must be acceptable to the family; a rug has to fit in with wall decorations and the furniture. Many times sales which would not otherwise be made are accomplished by sending articles on approval or with the understanding, expressed or implied, that they can be returned if they are not satisfactory. A policy of this kind is particularly important in the mail-order

business since most prospective customers are unwilling to purchase a product unseen, whereas if they know that it can be returned if unsatisfactory, they may be perfectly willing to order. This privilege is, of course, often abused. Hats, dresses, coats, hand bags, rugs, furniture, and many other products may be "purchased" from the store, used for a particular occasion, and then returned. But, for the most part, a policy of this kind results in larger sales and more satisfied customers and the abuses can usually be fairly well guarded against.

Another tendency in modern retailing has been the elaboration of the service rendered in the sale of goods. The department store with its credit and delivery service, rest rooms, lunch room, travel service, theater ticket sales, and kindred services is, of course, the primary example. But such services in minor degree, particularly credit and delivery services, are important with many independent stores. In contrast with this is another type of "service," namely, the sale of goods stripped of service such as is found in the cash-and-carry store.

The development of retail brands has also assumed great importance in recent years. This is especially true in department stores, mail-order houses, chain stores, and voluntary chains. It is also found in many independent stores. Drug stores and shoe stores, for example, frequently sell products under their own name. It is also a prevailing policy with candy stores and bake shops.

THE CONTROL OF STOCK

Two outstanding developments in organization and management are the careful control of stock and the development of retail advertising. The first is a recognition of the importance of having the right products in proper quantities — neither too many nor too few — in order to meet any reasonable demands on the part of customers as well as to gain the advantages of a rapid stock turn. Among these advantages are the decreased investment in stock necessary to do a given volume of business and the decrease in mark-downs caused from having goods in stock which are shelf worn, out of style, or no longer generally demanded. Moreover, the attempts to control stock carefully and to increase the stock turn may lead to increased attention to proper pricing, effective selling, and appropriate buying — in other words, to good merchandising.

The development of retail advertising is, of course, the result of a natural attempt to use this important merchandising tool to create good will, bring people to the store, and assist in making sales.

Certain technical developments have had an important effect upon retailing. First, and perhaps most important, of these are improvements in transportation and communication. Improved communication has created a new consuming public, a public which is traveled, widely read, and intelligent. The latest improvement in communication, the radio, has had a very important effect upon the demands of the consuming public. Travel and communication have likewise increased the demand for new products, and products from remote places. Rapid progress in manufacture has increased the variety of goods available for consumption and has likewise increased the number of competing brands. The development of branded, advertised, packaged commodities has completely changed many forms of retailing. As a result of this development, many retailers find that a large volume of goods they sell are packaged and branded by manufacturer or wholesaler who, by advertising, sampling, and demonstration, influence the consumer to ask for their products.

The development and improvement of methods of transportation have likewise had an important effect upon retailing as indeed upon all forms of merchandising. It has enabled retailers to carry small stocks. Instead of the former bi-yearly trip to market or the purchase of a season's supply from salesmen calling

at the store, many retailers are now enabled to supply their needs with day-to-day purchases. This enables them to carry small stocks and to obtain the advantages of the rapid stock turn which were previously discussed. It is of course true that the advantages of a rapid stock turn are to a considerable extent offset by the great variety of products and the larger number of competing brands which many retailers are required to carry. But the relative advantage is present.

Improvements in transportation and communication have been largely responsible for what has been recently designated as hand-to-mouth buying. The essence of hand-to-mouth buying is in careful control of purchasing. In fact, it would be much better to use the term "controlled purchasing." This means that the retailer studies his needs with care, and purchases only those products which he really needs and in the small quantities which keep his stock from being excessively large or out of date. The importance of effective transportation to this policy is that goods can be delivered rapidly and the time of delivery forecast with reasonable certainty. Finally, the developments in transportation, communication, and manufacture have brought into being new types of retailing and greatly changed older types. Among these are the modern drug store, food shop, electric shop, and automobile agency.

Large-Scale Retailing

The outstanding developments of modern retail merchandising are the department store, mail-order house, chain store, and more recently, the voluntary chain. These merchandising establishments have come into prominence in the order named. All of them are examples of large-scale merchandising and each has certain advantages and disadvantages of importance.

The advantages common to all of these large organizations can be summarized as follows:

1. Specialization of men and departments.
2. Economy of overhead expenses.
3. Rapid stock turn.
4. Variety of products.
5. Special service.
6. Integration.
7. Buying advantages.

When a retail establishment is operating on a large scale it is possible to departmentize the business so that particular classes of goods can be grouped together under specialized and more expert control. Service departments likewise, such as credit and

collections, delivery, advertising, can be placed under specialists. It is, in fact, necessary to do this, if the far-flung activities of a large retail establishment are to be effectively carried out. Experts in particular lines can be hired with the knowledge that there is sufficient work of the type in which they are skilled to keep them busy, and sufficient volume of business to make the high salary which they may be paid relatively inexpensive when spread over a large volume of business. There is a further advantage in that relatively cheap help can be carefully trained to perform certain rather narrow operations, whereas this same type of help in smaller stores would be called upon to perform numerous services and might be ineffective in the performance of each.

The overhead expenses of a large establishment are, of course, spread over a large volume of business and consequently the cost per unit is relatively small. As will be seen later, however, certain types of overhead expenses are increased and new ones developed.

Large retail establishments seem to have no particular advantage in the matter of *stock turn.* Many small stores turn their stock as rapidly or even more rapidly than the large stores with which they compete. In fact, the characteristics which cause any merchandising establishment to develop into a large merchandising house are those which lead to adequate merchandising. And adequate merchandising causes rapid stock turn. Or looking at it from another point of view, any store which does not have a rapid stock turn for the line of business in which it is engaged will probably never achieve large size. And if it has achieved large size, it will probably not pay to continue in business. The difficulties under which a large establishment labors are so great that effective merchandising is absolutely essential to its success, and one measure of effective merchandising is a rapid stock turn.

The ability to carry a *variety of products* is a further advantage of the large store, which is particularly manifest in the large mail-order house and in department stores. They have so many customers that they can profitably carry many products for which a small store would have little demand. This variety of products is an inducement which causes people to come to the store and, when they are in the store, causes them to buy additional products which the small store would not have in stock. In this connection, it should be said that anything which brings customers into a store and makes them stay is likely to lead to increased business. This has come to be a great advantage of the cash-and-carry chain store which is seldom realized by inde-

pendents who take a large bulk of their orders over the telephone. For when a person orders by telephone he usually has in mind certain specific products which he wants, and he orders only those products. Whereas when the customer comes to the store to buy, as with the cash-and-carry store, or when he can be induced to come to the store, as in the department store, or when he can see before him a catalog in which a great variety of products are listed, as with the mail-order house, he is likely to buy more products than he originally intended. This is, of course, one reason for the effective display found in so many successful retail stores.

The special services offered by large stores have been mentioned. They are an advantage because only stores doing a large volume of business can afford many of them. But, in a sense, they indicate a disadvantage since they are often in the nature of something extra which the large firm has to do in order to obtain the volume of business it must have.

By *integration* is meant the combination of some of the successive steps involved in a channel of distribution. The retail store which buys directly of manufacturers can be said to have integrated the wholesale function with the retail function. The manufacturer who sells directly to retail stores can be said to have integrated the wholesale function with manufacturing. In most cases it would be more correct to say that the wholesale functions have been divided between the retailer and the manufacturer. Likewise, the wholesale house or the retail establishment which manufactures some of the products it sells, has integrated retailing or wholesaling with manufacturing. Many chain stores, for example, bake their own bread and a few slaughter and pack some of the meats they sell. Some department stores own textile mills and make furniture. The advantages of integration are not always evident but such advantages as there are, and these are frequently important, arise from the close relationship between two or more steps in the channel of distribution, and the elimination of selling and buying expenses and of credit and collection problems between the integrated steps.

Buying Advantages

Finally, and probably most important of all, are the buying advantages enjoyed by large retail organizations. These rest mainly on two considerations. First, greater skill in buying; second, price advantages resulting from large purchases. The large establishment, because of the volume of its business, can afford to hire more skilled buyers than its smaller competitor.

If it does a very large business it can hire a number of buyers, each a specialist in one narrow line of merchandise. Because of their skill and their constant attention to a small line, these buyers are able to forecast the needs of their trade more accurately, to pick out sources and analyse new products more effectively, as well as higgle over prices and deliveries with greater skill.

It is evident that this advantage is due to the great volume of business which is obtained. But size is a further help in buying. Since large stores purchase in greater quantities they are usually able to obtain any quantity discounts which are offered. Many retail establishments purchase much greater quantities of the products they sell than do most of the jobbers who supply their independent competitors. And although many manufacturers would like to protect the wholesalers to whom they sell in the matter of price, they now commonly give at least as good prices to the larger retail establishments as they give to their jobber trade. In fact, in many cases the larger chain stores, department stores, and mail-order houses are known to obtain better prices than those at which jobbers are able to purchase. In doing this they are able to exercise considerable pressure. In the first place, they are usually able to pay cash; in the second place, their prestige is so great that few manufacturers care to pass it up. Consequently they are often able to force manufacturers to give larger quantity discounts, and in many cases larger cash discounts and advertising allowances, than the rest of the manufacturer's trade obtains. Moreover, their advantage is not confined to prices. They are usually able to obtain better service than is accorded to smaller retailers and even to wholesalers. Some department stores, for example, purchase from the manufacturer stock in small quantities from day to day at the same price paid by wholesalers who buy in carload lots. In addition to this, employees of the manufacturer as well as the transportation agencies commonly pay more attention to the orders and shipments of the largest of these establishments than to those of their smaller competitors. To lose the business of an occasional small retailer or jobber may not cause any great commotion within a manufacturing establishment, but to lose the business of a great and well-known merchandising establishment because of poor service is likely to result in the dismissal of the responsible employees.

Disadvantages

The disadvantages of large retail establishments can be more quickly discussed. They must not, however, be minimized.

The problems which will be discussed are constantly met by all large retail establishments and their solution is fundamental to the success of any large retail firm.

The first disadvantage of large-scale merchandising is a tendency toward increasing costs of doing business. Contrary to many lines of manufacture, there is no clear evidence of decreasing cost of operation as the size of a merchandising establishment increases. In fact, in many lines of retailing there seems to be a distinct tendency for the cost of operation to increase with size rather than to decrease. This is particularly true with department stores, but the tendency is present, although perhaps not to the same extent, with the other large retail organizations.

One cause for a tendency to increasing cost in the large establishment is a need to create a large demand for its service. This is particularly important with department stores. They are usually located in the business center of the city at a considerable distance from a large part of the population on which they draw. They must, therefore, advertise effectively and make special inducements to induce prospects to go to the trouble of making a trip down town to the store. With many of their best customers driving automobiles, the congested conditions in down-town districts have made this a problem of increasing difficulty. The big mail-order houses, likewise, have to induce their customers to go to the trouble of writing and making remittance, waiting for their purchases to come, and in many cases carrying them home from the places to which they are delivered by the transportation company. Even the chain store, which overcomes these disadvantages to a large extent by locating its units in local trading areas, must nevertheless exercise definite effort to obtain a large volume of business in each of its units. If this is not done, the expenses of running the unit become too high and the business unprofitable. This situation is probably in part responsible for the wide increase in lines handled in chain drug stores and for the development of general food stores by chain grocery systems. It has also been responsible for closing up many small units of chain stores in recent years.

Another cause for the high cost of doing business is the necessity of providing a large supervisory staff. The employees who are in touch with the public are usually not in contact with the owners of the business, and as a rule are not financially interested in its success. The stockholders elect a board of directors, who in turn elect an executive committee, which in turn appoints a president, under whom may be a general manager. Under the managing head of the business, whether president or general

manager or merchandise manager, are in turn department managers, sub-department managers, and finally the retail clerk, delivery boy, cashier, package wrapper, charwoman, and other employees. It is necessary, therefore, to have supervisors and supervisory systems. Both the general public and the employees are inclined to feel that a large corporation is fair game. Minute and costly systems of merchandise and cash control have to be developed, sales schools have to be established, and detective agencies must be employed. A large part of this cost of supervision is not found in the competing independent store, and if it grows too great it more than offsets any compensating advantages of the organization.

Closely connected with the last point is the fact that hired employees fill most of the important positions. Such employees, as a rule, do not have the management point of view. They are not largely interested in a financial way. They are inclined to confine their activities to their own set of duties and jealousy between them frequently militates against effective coöperation. It follows, therefore, that not only is close supervision essential but bonuses, profit sharing schemes, stock purchasing plans, and other devices have to be developed to offset this disadvantage.

Finally, there are often difficult problems of coöperation between departments. Hosiery, dress goods, ready-made clothing, glove and shoe departments must all work together if a proper ensemble is to be presented to the customer. Window displays, stock displays, advertising, salesmanship, orders, deliveries, and collections, must be coördinated. And whereas such coördination is necessary in a small store, a single individual can frequently bring it about as a result of his personal contact with all members of the staff. In a large store, machinery must be developed for the purpose.

THE INDEPENDENT STORE

Status of the Independent Store

Much has been said from time to time concerning the "passing of the independent store." First the department store, then the mail-order house, and more recently the chain store have been looked upon as "new types" of store whose development has seemed to point to the elimination of the small independent store. Neither the department store nor the mail order house brought this result. But in recent years there has been a decided feeling on the part of many that the chain-store movement would ultimately lead to the elimination of competing independent stores. Many of the store owners themselves have feared this result. The advantages of chain-store organizations have already been discussed and can be divided into two large groups, organization advantages and buying advantages. The organization advantages of the chains lead to improved merchandising and reduced costs of operation. The buying advantages make possible wider margins or lower prices. It is now our purpose briefly to compare the chain store and the unit store in order to determine as nearly as may be what the actual situation is at the present time.

In the first place, it is necessary to point out that comparisons between the two types of store are very difficult to make. This is due primarily to the fact that the type of service which each renders is often very different. Thus the typical chains of the grocery and drug fields are cash-and-carry stores, whereas the typical independent in these fields and particularly in the grocery field is a delivery and credit store, or as we commonly say, a "service store." When the costs for delivery and credit are eliminated, it has been found that many independent stores can be operated at as low a cost as competing chains, even including the margins of the wholesalers from whom they buy. For while it is probably true that all important chain systems operate on a lower cost basis than the average independent store, it must be recognized that a large percentage of independent stores are inefficiently operated. Figures of retail failures, for example, seem to indicate that there were as many failures of retail stores before the chains became important as there are at the present time. The only difference seems to be that whereas the failure of earlier days gave place to other independent merchants, they are now to a considerable extent giving place to chain-store units.

As a matter of fact, figures of the cost of doing business of independent retail stores frequently range from as low as ten per cent to as high as forty per cent of sales, with variations in different types of store and line of business. It is evident that those operating at the higher costs cannot compete effectively with chain stores; but neither can they compete effectively with those independents who are operating at lower costs. Those operating on the lower cost basis, however, can and do compete effectively with chain stores.

Some of the advantages of the chain stores are found in their merchandising methods. Careful purchasing and stock control, effective display, improved salesmanship. Chains have no monopoly on methods such as these and they are being rapidly adopted by the better independents.

We may conclude on this point: in the first place, that it is not clear that service for service the chains have any great advantage over the more efficient independents; and in the second place, that the improved merchandising methods which they use can in most cases be readily adopted by alert independents.

These merchandising and operating advantages plus effective pricing are the cause of the rapid stock turn which many chain stores have been able to accomplish. Here again, however, many independents are able to get as high or higher a stock turn as the competing chains. A recent survey made in Louisville, Kentucky, for example, developed the fact that one grocer with an average stock of three thousand dollars did a business of one hundred fifteen thousand dollars, a stock turn of thirty-seven. Another grocer with a stock of some thirty-five hundred dollars did a twenty-five thousand dollar business, a stock turn of seven. Other things being equal, it is evident that we have here examples of two very great differences in merchandising ability. Consequently to the extent that stock turn is an indicator of effective merchandising, one dealer would presumably be able to compete effectively with the chains whereas the other would not. Stock turns of thirty-seven are, of course, very rare, but a good many grocery and drug stores have stock turns which are as high or higher than those of the chains with which they compete.

One of the chief advantages which chain stores have in competition with independent stores arises from their buying power. As has already been shown, this means that they have a staff capable of buying effectively and because of the large quantities in which they purchase, they are able to buy at low prices. No one knows to what extent chains actually do receive lower prices than wholesalers, or even to what extent they receive prices as

low as wholesalers receive. That they frequently obtain as low prices as wholesalers obtain no one questions. But what percentage of their purchases are made at lower prices, at the same prices, or at higher prices than paid by wholesalers, no one now knows. It is, nevertheless, generally conceded that they do obtain frequent and perhaps regular price advantages of one sort or another.

Retail stores have two weapons against the buying power of the chain. In the first place, it is possible to make a selection of goods which more nearly meets the demands of the retailer's clientele than is possible in the case of the chain store, which purchases in a standardized way for dozens of stores located in neighborhoods which frequently vary to a considerable degree. Here, again, it is difficult to generalize because some chains have a certain degree of flexibility in their purchasing policy and allow some discretion to their store managers. Moreover, it is not entirely clear to what extent the demands of various neighborhoods vary. They probably do not vary as much as is often thought, and such variations as do occur are probably to a large extent due to differences in which the volume of certain products are purchased in different localities rather than to important differences in kind — a problem which the chain stores meet as effectively as the independents.

A second method by which independents are attempting to meet the buying advantages of the chains is through the development of buying organizations or through close association with wholesale houses. Relations of this type are now commonly called "voluntary chains." They are of three types. First is the organization of a central buying unit by a group of retail stores. Such organizations range all the way from occasional carlot purchases by a few stores to the distinct organization of a wholesale unit controlled by the retailers which purchase their warehouses and deliveries to the units. The second type of voluntary chain is that in which a wholesaler induces a group of unit stores to buy all or a large percentage of their merchandise from him. A third type is that in which a group of wholesalers and a large number of retail stores join together. From the point of view of unit stores, organizations of this type have certain major advantages. In the first place, the wholesale organization is usually able to buy at wholesale prices or better. In the second place, selling costs between the wholesale house and the unit retailer are reduced because of the larger volume which the unit buys from one source and the close relationship which exists. Again, more careful retail ordering may reduce the cost of deliv-

ery, and finally, credit and collection costs are usually reduced over those which exist when independent wholesalers are competitively selling to independent retailers.

Any savings consequent to this control of wholesale operations can be passed on to the unit stores.

A more recent development in the voluntary chain movement is the attempt at improving and standardizing retail merchandising methods. This results from a recognition of the effective merchandising which the chain stores have developed and is an attempt to give the same advantages to the unit stores involved in the voluntary chain movement.

The thing the unit store most fears in the chain store is low prices, and the various attempts to improve merchandising and to buy effectively which have just been discussed are in a large part aimed to reduce or eliminate any price advantages which a chain store may have.

The extent to which chain stores actually undersell the unit stores has not been determined, if in fact it ever can be. That chain stores use the price appeal no one denies. That they have a distinct price advantage is not always clear. The difficulty of price comparison arises principally from the fact that many individual stores give credit and delivery whereas most chain stores do not. Between unit stores of this type and chain stores there must as a rule be some price differences. These services have to be paid for and this reflects itself in the prices which are charged. On the other hand, many unit stores run a cash-and-carry business and sell at prices which seem to be comparable to those charged in competing chains. In communities where unit stores render a large element of service chain stores' prices are likely to be considerable lower. Under such conditions the unit store depends on the additional service to offset the price appeal of the chains. In some sections of our large cities, on the other hand, where the unit stores operate on a cash-and-carry basis, the unit stores frequently under-price the chains on important articles.

Direct Marketing and the Elimination of Middlemen

Either of two classes of problems may be in mind when the elimination of middlemen is discussed. The first problem rests on the question of eliminating certain steps, or classes of middlemen, found in particular channels of distribution — that is, the elimination of a jobber or of retailers or both, resulting in direct sale by producer to retail stores or to consumers. As a result of which some or all middlemen handle a product between the farm or

other source of raw material and the manufacturing plant or between one manufacturing plant and another. This problem will be discussed here. But the other problem concerning the elimination of middlemen is also of great importance and warrants a word before we proceed.

This second problem rests on the possibility or desirability of reducing the number of certain classes of middlemen; as a result of which the total number of retailers, or jobbers, or brokers, or commission men will be less. When such possibilities are discussed, it is likely to be based on the assumption that if there were a smaller number of middlemen of some particular class, retailers for example, there would result a reduced cost of operation for those which remain. Such a feeling is commonly based on the assumption that merchandising like much of manufacture is a business of decreasing costs. That is, that costs tend to decline as larger and larger organizations develop. However true such a theory may be with regard to manufacturing, it does not apply in most lines of merchandising. The very large merchandising establishments are constantly fighting against increasing costs. The costs of operation per dollar of sales in large department stores and in large unit stores are usually greater than those of their smaller competitors. The same thing is true of many lines of wholesaling. Consequently, any attempt to eliminate a certain number of middlemen of a particular class cannot be based on the assumption that costs will thereby be decreased without determining whether in the particular line under consideration large organizations do actually operate at reduced costs.

There is, however, one way in which a reduced number of merchandising units would often bring about lower costs of merchandising. Most existing middlemen can probably handle a larger volume of trade in their present place of business and with their present equipment and staff. If by the elimination of certain competitors, therefore, they could obtain a larger volume, they would be able to operate at reduced costs. That is, a store paying a certain rent with certain fixtures and a certain number of clerks and other employees may be capable of doing a business of $500,000 a year, but actually is doing a business of only $400,000. If fewer middlemen existed it might be able to obtain an extra $100,000 of business and so reduce these relatively fixed costs per unit of sales. Most merchandising organizations are, as a matter of fact, trying to increase their volume of business and the competition of the more efficient eventually drives out the less efficient. They may then be able to do a larger volume of busi-

ness without a proportionately increased cost. The difficulty is, of course, that as soon as one store is forced out of business, another one is likely to take its place.

There have been some proposals to limit the number of middlemen through state control, but such limitations have never applied to ordinary merchandising establishments and probably will never be considered desirable. On the other hand, many manufacturers help accomplish this result through selling their goods to exclusive or limited agencies. It would be very fortunate if manufacturers and wholesalers could find some means of curtailing the number of new retail establishments by limiting sales to those individuals who have sufficient capital and show evidence of sufficient ability to run a store effectively. But competition for sales is usually so keen that this is seldom done.

We will now return to the discussion of the problem of eliminating middlemen as it is ordinarily found in business. The term "direct marketing" is really better than the term "elimination of middlemen," because in the process under consideration middlemen are not really "eliminated." Rather, some one with goods to sell sells them directly to the firms or persons to whom the eliminated middleman would otherwise sell, or some purchaser buys directly of a supplier rather than through a middleman. In either case no middleman is immediately eliminated but rather trade is carried on "around" existing middlemen. That is, a manufacturer sells directly to the retailer or he sells directly to the consumer, rather than to either the wholesaler or retailer; and vice versa, the consumer buys directly from the manufacturer or directly from the wholesaler, and the retailer buys directly from the manufacturer. That is, the impetus to direct marketing may come from either the buying or the selling side of an exchange.

The chief reasons given for the elimination of steps in the channel of distribution are that the cost of marketing through middlemen is too great, or that the services performed are not as good as should be obtained for the cost. Service and cost are obviously two aspects of the same thing, for, generally speaking, when we say the cost is too high, we mean it is too high for the service rendered or when we say service is poor, we mean it is poor in relation to the price that is paid. The second argument for the elimination of middlemen rests on the belief that because of the middlemen system excessive profits are added to prices. When the statement is made that the elimination of middlemen will eliminate the middlemen's profits this is frequently what is in mind.

If these statements were true, it would follow that if middle-

men were eliminated, better service would result or lower costs for particular services, or both; and, in addition, profits which had been going to middlemen would now be reduced, with the benefit accruing to the producer or consumer or to integrating middlemen.

Certain problems must be met by a manufacturer who markets his product directly. These differ from firm to firm and varying solutions are found for similar problems.

In the first place managerial and merchandising ability vary from firm to firm. For an organization that has been engrossed in the problems of production to develop a large marketing organization necessitates hiring from outside or developing from inside a type of managerial ability which is capable of meeting the new merchandising problems which will arise. In many firms, no such ability exists and the solution of the problem is likely to result in a continuation of the use of the existing middleman. If such ability does not exist, and existing middlemen are eliminated, trouble is likely to follow.

Again, knowledge of the market varies from firm to firm or business man to business man. One weakness in the coöperative movement among farmers is the fact that few farmers have a knowledge of the great wholesale markets in which they desire to sell their products. The weakness of many retail purchasing organizations is found in their lack of knowledge of the conditions found in the wholesale markets in which they buy.

A further difficulty, which many who would market directly face, is the lack of funds. If a manufacturer who has previously sold wholesalers decides to sell to the retail trade, he must provide capital to carry out the wholesale functions. Not only must he provide a selling organization, warehouses, and delivery equipment, credit and collection department, but he must also carry his investment in stocks through the wholesale and retail channels and until his goods are finally paid for by his retail customers. Whereas he formerly received cash from the wholesalers, he will now have to carry stocks until they are delivered to the retailers and until the retailers have paid. In many lines this means adding thirty to ninety or more days to the time in which his money is invested in produced goods.

Again, the need for direct marketing varies from firm to firm. One manufacturer finds that wholesalers and retailers perform an effective service in selling his product; another finds them unable to sell his product effectively; still another finds it is necessary to service his product and learns that it is difficult or impossible to obtain middlemen who can do this effectively; yet

another may find it desirable to seek his raw material at the source in order to be sure of adequate supplies of the particular quality he needs.

Regardless of the various conditions which may make integration advisable, cost is usually the determining factor. The middlemen's profit is, as a rule, not large and the manufacturer who performs the middlemen's functions for himself must usually make at least a similar gross profit to cover the additional costs of direct marketing, including the added investment in the stocks he sells. Most manufacturers today do not attempt to market directly for the purpose of obtaining the "middleman's profit," but rather for the purpose of obtaining greater sales and greater control of their market.

Certain difficulties are bound to be met by the producer who attempts to market directly. His risks are increased; additional funds are needed, distributive knowledge and skill must be provided, and new and added administrative problems arise. All of these difficulties add to his costs of doing business and, as a rule, can be justified only if the higher price at which he sells at a later place in the channel of distribution enables him to offset the added costs which his direct marketing entails.

Only the most loose generalizations can be made on this last point. It can be said, however, that whether the cost is to be prohibitive or not is determined by the volume in which sales are made to individual customers or in particular areas. Shoe and clothing manufacturers, for example, may be able to sell a given retailer a large percentage of the merchandise he buys. They can thus obtain an order for goods which is large enough to make it possible to call directly on the dealer, deliver directly, watch credits and make collections, at a total cost which is comparable to similar costs for independent wholesalers. Or in the grocery field, a firm which sells a wide variety of crackers and cakes, or soups and canned foods, can obtain from individual grocers a volume of business which is comparable to that handled by wholesalers. Again, when the single purchase made by the buyer is large, as in the case of electric household equipment sold directly to the consumer, or locomotives to a railroad, the individual sale is large enough to keep down the direct cost of selling. The same result may be achieved when in certain localities a given salesman can call on a very large number of customers in a relatively short period of time. In all of these cases, the volume of sales per order may be great enough to keep merchandising costs down. But if products are purchased in small quantities and infrequently, middlemen will usually be necessary if the

cost of distribution is not to be excessive. Moreover, if the producer is small, he is very likely to find that an effective merchandising organization for direct distribution will have to be larger than he could afford on the volume of business he has to do.

Conclusion

The general advantages of the middlemen system are due to specialization and division of labor by independent units. But these advantages are not necessarily lost when direct marketing takes place. Such activities do not necessarily eliminate specialization and division of labor. They merely bring about the substitution of a hired specialist for an independent middleman; that is, of a marketing manager and a marketing department for an independent wholesale or retail organization. Or additional duties may be assumed by the entrepreneur. In the latter case, the advantages of specialization are limited, unless the entrepreneur delegates his production activities or at least some of them, or unless he delegates some of his marketing activities.

In considering the question of elimination of middlemen it should be borne in mind that going around a particular middleman may actually add to existing marketing machinery. When a chain store, mail-order house, or department store, for example, buys directly from manufacturers or when a farmer or coöperative shipping association sells in central wholesale markets or directly to manufacturers, existing middlemen are not eliminated. The integrated organization simply duplicates the service of the middlemen. This may actually increase the cost of wholesaling, since the existing jobbers may be forced to operate on a smaller and for them less economical scale or they may be forced to handle the less profitable lines of producers who cannot afford to market directly. It is not at all unlikely that much of the so-called "excessive cost of distribution" is due to this very duplication of market machinery which results from the attempt of buyers and sellers to eliminate middlemen. In this connection it must also be borne in mind that hired managers for the integrated firm are commonly substituted for the independent entrepreneurs who are the middlemen.

Finally, it is a false idea that the smaller the number of independent agencies through which products pass on their way to market, the less the cost. Particularly is this true when integration results in smaller sales and deliveries from the producer than are those which are made by middlemen selling in the same market. But on the other hand, we must not conclude that integration necessarily leads to higher costs because the integrated organiza-

tion may actually handle products in large volume and realize economies in operation which make it possible to operate at costs comparable to those of the middlemen whose service they do not patronize. Two important advantages arising out of the elimination of middlemen should be mentioned again at this point. In the first place, fewer changes of title take place. This may eliminate much of the sales and buying effort leading up to the transfer of title. In the second place, the credit and collection problems involved in making these sales are also eliminated.

In summary, it is probably safe to say that middlemen will continue to function and to be useful both to society and to individual business men, so long as there continue to be small producers such as farmers and small-scale manufacturers who cannot afford an adequate marketing organization for their products, and so long as there are large producers inadequately supplied with capital to carry on the additional functions which direct marketing necessitates or who are handling so limited a line that direct marketing is not feasible because of its cost. Further conditions which will continue to make middlemen important are the fact that small independent retailers in many lines of business will continue to find it too difficult to make direct contact with the numerous sources of supply from which the commodities they sell are procured, and producers will continue to find it too costly to establish direct sales relations with such small retailers. Finally, so long as consumers find more valuable use for their time than to visit, correspond with, or even read the advertisements of the hundreds of hundreds of producers whose goods they consume, middlemen will continue to be useful.

MARKETING PARTICULAR CLASSES OF GOODS

For purposes of this discussion, goods will be divided into three major classes: farm products, raw materials, and manufactured goods. This classification involves considerable duplication, since many farm products are raw materials. But it is useful and will fit our purpose admirably.

In analyzing the methods of marketing farm products it must be constantly borne in mind that they fall into two major classes, consumption goods and raw materials. The marketing of those products which go to the final consumer in approximately the form in which they left the farm is in many respects different from the marketing of raw materials which are used by manufacturing plants to produce manufactured products. The marketing of the first class necessitates carrying them from producer to ultimate consumer. But the marketing of raw materials involves merely carrying them from producer to manufacturing consumer. From that point on the problems of marketing them are the problems of marketing manufactured products.

Agricultural Products

Certain basic conditions affect agricultural marketing and distinguish it from the conditions affecting the marketing of manufactured products as well as from those affecting the marketing of many raw materials which are not agricultural in their origin. In the first place, agriculture is a small-scale industry. While it is true that the 160 acres of the moderate sized farm of the Middle West involve an area greater than that used by almost any of our largest manufacturing establishments, all the other characteristics of agriculture are small scale. Even the very largest of farms uses but few laborers, a relatively small amount of machinery, a small capital investment, and the value of the product is small indeed when compared with that of even a moderate sized manufacturing plant. Because of the small value of their product, individual farmers are unable to use many of the methods available to manufacturing producers. They cannot advertise on a large scale, they cannot as a rule market directly. In the second place, agricultural production is quite largely localized and specialized. We have our wheat-growing areas, our fruit and vegetable areas, our cotton areas. Within such areas most farmers produce a very limited number of products. So true is this under modern conditions that the self-sufficing farmer

of the past is practically non-existent today. As a result of this situation, individual farmers as well as localized farm areas produce commodities which must be marketed in other parts of the country or abroad. And the fact that agriculture has become so specialized means also that farm products must not only be concentrated in cities and at factories but that they must also be marketed in other agricultural areas where they are not produced.

Because agriculture is a small-scale industry, because it is carried on in specialized areas, because the consumers and factories which use the farm products are largely concentrated in relatively small areas often far removed from the farms, the process of marketing farm products involves their concentration in great quantities in central markets. The small production of individual farms has to be concentrated at local shipping points where the products are made up into car loads for more economical transportation to central markets. Here they are stored until they are demanded for local consumption or for use in local factories, or until they are shipped to other parts of the country or the world.

Certain peculiarities of farm products also affect their marketing. Farm products are bulky, that is, they are large in relation to their value. This means that the expenses involved in their transportation and storage are comparatively great and add considerably to the cost of marketing them. Moreover, many farm products are perishable, and consequently expensive facilities have to be provided for carrying them to market and storing them there until they are needed for personal consumption or for use in manufacture. So important is this with many farm products that special refrigeration facilities have been developed both in transportation and in storage, and some farm products deteriorate so rapidly that they are carried to market in special trains.

The production of farm products is seasonal. Most farm crops ripen and are ready for market during a relatively short period of the year. But they are commonly used in fairly uniform amounts during the whole of the year. This means not only that there is a seasonal demand for transportation facilities during certain months of the year and that vast storage houses must be provided, but it also means that there is an enormous investment in farm products which are being held over to be consumed throughout the remaining months of the year.

Finally, the total annual production of certain crops as well as their quality is to a considerable extent dependent upon natural

conditions, over which the farmer exercises little control. In many years when the acreage of wheat has been reduced the total crop has been larger than it was the year before. The other years, an increased acreage has produced smaller crops. In some years the best seed produces a crop of but mediocre quality. In other years, an excellent crop is produced. Fruit and vegetable crops also vary in quality and quantity from year to year. These variations, particularly the variations in amount from year to year, give rise to seasonal surpluses and deficits which affect farm income as well as the problems of marketing.

The Farmer

A final important group of considerations which affect the marketing of farm products relate to the farmer himself. Because of the small scale of his business the average farmer is unable to devote much time to studying the problems of marketing. He is often busy with production just when he should be engaged in studying his markets and in making market contacts. The volume of business which he has does not warrant his hiring a specialist to study his market or to market for him. Moreover, American farmers are very individualistic and consequently attempts to join together to market coöperatively have often failed.

Since many farmers are insufficiently supplied with capital they are frequently forced to borrow on conditions which make it necessary for them to sell their crop immediately after it is harvested, and which frequently make it necessary for them to sell to people from whom they have borrowed money. This militates against effective marketing. The lack of funds also makes it impossible for growers to spend money on improved marketing facilities.

A final consideration of great importance in marketing farm products involves the possibility of creating demand. In the first place the great bulk of farm products are raw materials. Raw materials are usually bought and not sold. That is, the manufacturer who purchases the raw materials usually knows the type of material he wants to purchase. Not only does he know the type of material he wants to purchase, but he can inspect the goods he contemplates buying to determine their quality. Under such conditions demand creative efforts are not effective. One cannot use the same kind of sales effort in selling raw materials as can be used in the sale of consumption goods. It does no good to try to influence the buyer to believe that "my wheat is better than Jones's wheat" since it is possible for the buyer to determine

which is better. Moreover, since he is usually buying on a large scale he can go to any expense which is necessary to make this determination.

Some products of agriculture are consumption goods. And, as will be shown later, it is possible to use demand creative efforts in the sale of consumption goods. But here again the farmer is at a great disadvantage because of the small scale on which he operates. The average farmer cannot employ salesmen, advertise, use dealer help, and the other methods of selling which are available to many manufacturers and middlemen. The only way this can be done in the agricultural field is for farmers to combine as have, for example, the California Citrus Fruit Growers. When this is done, the resulting volume of business available for distribution makes it possible to develop a specialized marketing organization, to hire adequate managers, and to utilize the methods of creating demand which are available to large merchandisers. Even here, however, there are certain limitations which apply in agriculture which do not apply in most manufacturing lines. There is the fact that agricultural products which go to final consumers in the form in which they leave the farm are food products. It is more difficult to create a demand for food products than for most other consumption goods. This is because the amount of food which any individual can consume is limited by his physical capacity. Those consumers who have a sufficient income to buy all they want to eat do not as a rule find it possible to increase their consumption of food stuffs. Most efforts to create demand for food products are as a consequence competitive in their nature. For whereas the individual with a surplus to spend may be able to use two or three suits, or fifty suits, one automobile or five, a nine room house or a fifty room house, he cannot increase his consumption of food products beyond his physical capacity to consume.

In conclusion, then, it should be said that the use of modern mass methods of selling farm products is relatively limited. The average farmer is producing raw materials or food products. The consumption of raw materials is dependent upon factory demand. Competitive methods of selling are not possible here save on a price basis. Demand creation is not effective. Moreover the amount of raw material purchased by factories is limited by the volume of finished products which they can sell, and farmers as a rule do not find it possible to go over the head of the producer and increase this demand on the part of the consumer. The consumption goods which the farmer producers are food products, whose consumption is definitely limited by the consumers' physical

capacity; consequently any sales effort he may exert in this direction must be largely competitive in its nature and must be undertaken as a coöperative venture.

Raw Materials

The characteristics of raw materials are very similar to those of agricultural products since a large percentage of the raw materials used in manufacture are farm products. Our discussion at this point, consequently, will to a large extent look at the marketing of raw materials from the buying point of view.

Raw materials with some important exceptions, particularly in the case of minerals and metals, are commonly produced on a small scale. But they are used by individual factories in large quantities. Because of this fact, the problem of concentration found in marketing agricultural products is also important here. Raw materials, furthermore, are commonly produced far from the factory in which they are used. Transportation is, consequently, important. To the factory, a location near to a labor supply, near to market, near to financial sources and near to supply industries, is so important, that one or a combination of these rather than a location near the supply of raw materials is likely to be the determining factors in locating factories. Nevertheless, since most raw materials are bulky, transportation necessarily plays a large part in their marketing, and if this cost is too great, as in the case of sugar made from sugar beets and clay for use in tile factories, the manufacture is likely to be located near the source. And even if this is not done, the product is likely to be prepared in part at or near the source, as is frequently done with lumber and pig iron.

In purchasing raw materials the average factory wants a standardized product of the particular quality which its manufacturing operations demand. It is usually making a uniform product for sale in large quantities, and for many such products a standardized raw material is necessary if uniformity is to be achieved. Moreover, in some industries machinery is so finely adjusted that it cannot be operated except when uniform raw naterials are used. Since a manufacturer needs standardized materials he usually insists on buying them. This is one reason for the fact that most agricultural products used by factories are purchased of middlemen rather than at the farm or local shipping point. If the manufacturer buys directly at the farm or local shipping point he is likely to be compelled to take all products which are offered. In doing this, he will get some products which are not good enough for his purposes and which cannot be used,

and he will purchase others which are too good for his purpose and which even if they can be used are too expensive. Such a process will necessitate his reselling the products which he cannot use and so, in addition to having a much larger investment in raw materials, he will be forced to develop a scheme for merchandising the surplus. Or if he buys only raw materials of the kind which he uses, he may be forced to get in touch with numerous sources of supply before he finds them. This is particularly likely to be true in the agricultural field where the volume and quality of products produced often varies considerably from year to year.

Most manufacturers need a continuous, assured supply of raw materials. Under modern conditions of manufacture it is usually desirable to run a plant continuously. This is due in the first place to the fact that modern factories have large fixed investments in plant and equipment. For such an investment to lie idle because of the inability to obtain raw materials means, of course, a large expense without an offsetting return. Moreover, it is being realized more and more that the morale of employees and the effectiveness of a force is much better when it is working continuously. Laying off employees not only necessitates a certain warming up period on their return to work, but it also results in losing old employees and in hiring new ones who must be trained to take the place of the old. A developing sense of responsibility toward their employees is another factor which makes many a manufacturer operate continuously if possible. But a continuous assured supply of raw materials is also essential from the sales point of view. Most manufacturers have contracts for delivery which must be kept, or else have developed a general trade which will fall off, if they are not able to keep a constant supply ready for the market.

This need for an assured supply of raw materials is met in various ways. The most common method is by making purchases in the open market from time to time as the need arises. The chief difficulty with this method is that supplies may not be available when they are needed. If such a contingency is likely to arise a manufacturer may contract for his materials for future delivery. This is, of course, a more certain method than the former but it has its limitations. Too large a supply or the wrong quality to meet developing needs may be ordered. The supply house with whom the contract is made may be unable to obtain the necessary materials. In case of a rising market it may actually refuse to make delivery, for the temptation to sell to other firms at higher prices is too great. When contracting for future delivery is not considered adequate a factory may purchase a large supply

in advance of need. In this way, it is assured of its supply so long as the supply it has purchased lasts. The difficulties involved in this method are that a large amount of money is invested in raw materials and prices may drop in the meantime. Finally, in this case as in the last, the materials purchased or contracted for may not be the particular materials which will be wanted by the time the factory is ready to use them.

If a manufacturer finds that none of the methods previously discussed are adequate for his purpose he may attempt to gain control or ownership of the sources of supply. This, of course, is likely to involve enormous expenditure and a fixed investment which tends to offset the advantages of the assured supply which results. Some very large organizations have found, nevertheless, that this is a necessary or desirable plan. A great steel corporation, for example, may buy or lease ore lands, partly from fear that competitors will obtain control, partly from a desire to obtain any monopoly advantages which may result, and partly in hope of speculative profits. The United States Steel Corporation would scarcely be warranted in building up the enormous organization which it has without being assured of a supply of raw materials through its control of ore lands. A brick or tile factory usually finds it desirable to buy up clay beds for the same reason.

It is evident that any one factory may use different methods at different times and may use one method with one raw material and another with another. When supplies in the market are adequate a manufacturer may depend upon purchases from time to time as they are needed. If prices begin to rise and it looks as though a shortage is developing, he may decide to contract for supplies in advance. If conditions grow still worse, as in war times, he may go further and buy large supplies in advance of immediate needs. The last method, the actual control of the source of supply, is a method which is not commonly used, although many of our large manufacturers control sources from which they obtain at least a part of their raw materials.

Manufactures

In direct contrast with most agricultural producers, the average manufacturer is able to control both the quality of his product and the volume in which he produces it. Outside of a few industries the weather, for example, does not affect the manufacturer except as it may already have affected his raw materials, and through the use of machinery and standardized methods of production he is able to turn out products which are for all practical purposes alike. Not only are his products alike but they

conform to predetermined plans as to what they shall be. The individual manufacturer unlike the individual farmer is also able to control the volume which he will produce. Moreover, since a relatively small number of producers are found in many manufacturing lines it is easier, legal conditions permitting, for manufacturers to agree among themselves to limit output.

Also in contrast with agriculture, the production of most manufactures is now on a large-scale basis. To the extent that this is true, each manufacturer is able to develop in varying degrees a marketing machinery of his own. Since his products are standardized he can, moreover, use modern mass methods of selling. Methods of marketing manufactured products vary greatly. For not only do the products themselves vary greatly within a given line of manufacture. As a result we find canned food, for example, marketed with and without advertising; marketed directly from manufacturer to consumer, directly from manufacturer to retailer, directly from manufacturer to wholesaler, and through brokers to wholesalers or large retailers.

With the rapid development of large-scale methods of production, and with the increasing variety of products, as well as the increasing number of competing brands of products, many manufacturers have found it desirable to control as far as possible the machinery by which their product is marketed. The development of advertising has been an important tool in making this possible. For by branding his product and advertising it to consumers and retailers, the manufacturer is frequently able to develop a knowledge of his product and even an intense desire for it. If he can go further and utilize salesmen, samples, and demonstration to consumers, or even to retailers, he is still further able to exercise control over the marketing of his product. It was pointed out under the discussion of wholesalers that the tendency for wholesalers to brand their own products and to handle products of competing manufacturers has made it particularly desirable for manufacturers to attempt to control the marketing of their product. And as was also pointed out there, this has frequently led to direct sale to retailers and even to final consumers. More recently manufacturers who make goods for use by final consumers have found themselves confronted by the growing power of large-scale retailers: first department stores and mail-order houses, and more recently chain stores. These large organizations frequently sell their own branded products and are often able to dictate prices and terms to manufacturers. In order to meet this situation, manufacturers have had an added incentive to identify their products and to influence the ultimate buyer to

purchase them. For to the extent that this is done a manufacturer can more readily influence or even force the large merchandising organizations to handle them. A still more recent development along this line has been the merger of manufacturers. Sometimes those handling competing lines have merged and sometimes those handling related but non-competing lines. Among the advantages which such mergers hope to obtain is increased selling power to offset the buying power of the large retail organizations.

Since manufacturers as a group can usually produce more goods than they can sell at a profit, each individual manufacturer endeavors by whatever means are available to him to create sufficient demand for his own product to enable him to fully utilize his plant. This may be accomplished through improved production as a result of reduced cost or improved processes or better service, or it may be brought about through improved marketing which enables him to exercise greater control in the distribution of his products.

One of the oldest methods of gaining control of a market is to combine with competitors. Such combinations may take various forms ranging from verbal agreements between a few retailers or local manufacturers to mergers and agreements on a national or even international scale. Many of these attempts have met with legal difficulties, but in spite of this the last five years mergers among manufacturers, and particularly among those handling related lines as distinguished from directly competing lines, have grown. One of the most obvious methods of controlling a market is, of course, to obtain monopoly control. Patents and public utility franchises are good examples of monopolistic power, although as a rule the possibility of substitutes is so great that the power cannot be exercised to a very high degree. In most lines of endeavor, however, monopolies are illegal and seldom attempted.

With the development of branding and advertising manufacturers have had a new tool for the control of markets placed in their hands. Through their use of advertising, they have, as previously pointed out, attempted to develop in the minds of prospective purchasers a knowledge of their product and a desire to purchase it. Branding makes it possible to identify the product for first purchase as well as to make subsequent purchases easy. Efforts to create a demand for products are particularly important with goods to be consumed by ultimate consumers, as distinguished from semi-manufactured products and equipment bought in large volume for productive purposes by manufacturing plants. This point will be more clear if we distinguish between three classes of

manufacturing goods: semi-manufactured products, equipment, and goods for personal consumption. The former consists of such products as steel, fabric and cord for automobile tires, clothing to be made into suits. In the case of such commodities the manufacturer knows within very narrow limits the exact kind of material he wants. Moreover, he is often buying them on such a scale that he can afford to develop methods for determining their exact characteristics. And each purchase is large enough to warrant the expense involved in inspecting it to determine whether it does conform to these characteristics. Even if he cannot determine within narrow limits exactly what he wants or exactly what characteristics a new supply of goods possesses, he can nevertheless afford to inspect them closely. Finally, the price which he pays for such goods is so important to his own costs of production that he usually makes every effort to make sure that he is getting the best price which the market offers. The more keenly he is competing for business the more careful he must be in this regard. Since the manufacturer knows to such a close degree what he wants and since he can afford to spend time and effort in determining whether he is getting it, the possibilities of demand creation for semi-manufactured products just as for raw materials are relatively limited.

CONSUMPTION GOODS

At the opposite end of this three-fold classification are goods for personal consumption. The average consumer purchases a great variety of products in small amounts from time to time. He is, moreover, usually purchasing for his own personal gratification and not for resale or for further production of goods which in turn will be sold. Because he is purchasing such a great variety of goods he cannot be an expert in the purchase of any of them. And since he is purchasing each in small quantities, he cannot afford to hire any one to inspect the goods to determine what characteristics they have. Even if he is an expert in purchasing certain products he will probably not find it worth while to apply his expert knowledge to any great extent in making day-to-day purchases. Finally, since the final consumer is purchasing for his personal gratification he finds that the characteristics of products which appeal to him are very difficult, if not impossible, to measure. Thus the purchasing agent who may spend weeks in testing floor paints in order to find the best buy, or who will use all known methods to determine the quality of coal or wheat, will buy a certain cigarette because the shadow of a fat man looms before him or a toothpaste because he likes the wintergreen flavor. And since so many characteristics of consumption goods are not definitely measurable, and since it does not pay the average consumer to measure them even when it can be done, it is possible for those who are selling such commodities to exercise a considerable influence on the purchaser's choice. In fact, it is sometimes true that a large part of the satisfaction from using certain products is due to the mental reaction which the consumer has had toward demand creative efforts. In other words, a large part of the satisfaction which the consumer obtains from the goods he buys is mental and not physical. The physical characteristics may be of minor importance.

Again, unlike purchases for resale or for further production, a little difference in price may not greatly affect the consumer. If he pays $75 for a suit of clothing which is no better than other suits which could have been purchased for $60, it simply means that he must curtail his purchases of other things to that extent. But the manufacturer who pays too much for his raw materials or his semi-manufactured goods or his machinery finds a definite effect upon the profits of his business. And the retailer who pays too much for goods for re-sale will find his profits dwindling.

Again, if the consumer purchases a product which is unsatisfactory or which does not stand up under use the effect is often negligible, whereas the manufacturer under similar conditions might find it impossible to continue his production activities or might produce an unsatisfactory product which when sold would react unfavorably upon his business.

Equipment such as machinery and office equipment falls somewhere between the two extremes of this classification of goods. It is difficult to measure what the effects of a machine in operation are to be. For example, two machines may perform a certain operation equally well but one is sturdily built to last a long time, while the other is less sturdily built and would last only a few years, but it costs much less. In the meantime, however, improved machines may come on the market and throw both machines into obsolescence. No one can predict how soon this will be and consequently the machine which is most effectively sold may be the one which is purchased. Or take a desk. So far as the actual uses of a desk are concerned, the $25 desk may be as effective as one for $300. But the $300 desk may make a more favorable impression upon customers and may give a personal satisfaction to the user which enables him to do better work. Just to what degree these things are true can seldom be determined. Here again sales effort may be effective. The same argument may apply in the case of store equipment, office equipment, and many other commodities which are bought for use in factory and office. In such purchases skilled buyers may be of great assistance but as with consumption goods, intangible characteristics and personal satisfaction may play such an important part and the results in operation be so difficult to determine that a considerable amount of sales influence can be exercised.

From what has gone before, it is evident that in the sale of consumption goods and equipment a considerable amount of effective effort to create demand is possible. Whereas in the sale of manufactured products as in the sale of raw materials little can be accomplished.

Fashion and Style

Problems of fashion and style are common to many products. The two are closely related and the terms are sometimes used synonymously. Fashion, however, usually implies a seasonal idea, such as fashions in clothing which change from season to season, whereas style implies a longer period of time and a change of more permanence than fashion, such as styles in furniture and architectural design.

Fashion and style are factors of considerable importance in many lines of manufacture. Among these are the following: clothing, shoes, house furnishings, musical instruments, sporting goods, watches, eyeglasses, brick and tile, builders' hardware, automobiles, prepared foods, tobacco.

In clothing the style factor includes the amount of cloth, the kind of fabric, colors, and cut. Clothing styles also affect the production of raw materials and other manufactured products used in making up the clothing. In the case of house furnishings the style element is found in furniture, rugs and carpets, wall furnishings and fixtures, and in dishes.

One effect of the presence of style or fashion is to increase the uncertainty concerning the nature of future demand. Because of this uncertainty, manufacturing operations are compressed within such close time limits that economical production or perfection of manufacturing process or even of the product itself is often impossible. Moreover, much of the economy which results from the standardization of products and methods and processes becomes impossible because of the frequent changes which styles and fashions necessitate. The problems of management, the training of operatives to new or changed operations, changes in patterns, machinery and other equipments, may be so frequent as to add greatly to the cost; and the losses from obsolescence are great.

Jobbers and retailers, as well as manufacturers, do not know for long in advance what their trade will demand. Consequently, they postpone giving orders until late in the season. They may, in fact, wait until the season begins before ordering in very large quantities, and even during the season they may follow a hand-to-mouth purchasing policy. Or, if they do order ahead they sometimes consider the order merely as an "option," for which they pay nothing. That is, if they do not feel later in the season that the goods they have bought will sell well, dealers frequently do not hesitate to cancel the orders. And if they do not, or cannot, cancel orders, they may be forced to take great losses — failure may even follow.

Because of this postponement of orders on the part of retailers and wholesalers, the time prior to the opening of a season is a waiting or dull period in many lines. Then when the demand does come, it comes almost at once, and there is an intensely busy season with all the annoyance and hardships which a period of rushed production entails.

Among the other effects of the uncertainty resulting from the style problem are the effect upon prices and quality. Where

fashion changes are frequent it does not pay the average consumer to buy the best. Many women, for example, would rather have two $50 suits than one $100 suit. In this way they are able to keep up with the fashions without being compelled to cast aside clothing which is still perfectly good and which, moreover, has cost a considerable amount of money.

The style problem is a particularly difficult one for American manufacturers and dealers. This is because Americans seem to be more afflicted by rapid, pronounced changes in fashion than are any other people. Furthermore, the lack of class lines and the general well being of the populace has tended to broaden the style influence until the acceptance of going styles now affects all classes of people. But although fashions are a problem, they are often definitely introduced in a line as a merchandising policy. The growing purchasing power of any person or class of people can be used in two ways: it may be used to buy *new* kinds of products or it may be used to buy more of old products. By introducing the fashion or style element where it did not exist before and by constantly adding new styles to a line, it may be possible to get people to buy more goods of a given kind than they have previously bought. This principle is made use of by vendors of many lines of merchandise. In fact, it has gone so far that there is reason to believe the quality of many articles has been purposely reduced; partly because such goods are not used long enough to make it wise to make them of high quality and partly from a desire to have them wear out so that others may be purchased.

Styles and fashions are notoriously hard to forecast, but those who find themselves affected by these influences are not entirely helpless. There is one law which fashions tend to obey fairly well. That is, they are likely to originate in centers which historically have exercised great influence. Such an influence is exercised in the case of women's dresses by Paris. Information concerning women's dresses from Paris is considered "news" by American newspapers, and consequently is likely to receive wide publicity. Such publicity is used in two ways in the United States: our producers and dealers take hints from it to guide them in their production and purchases for the coming season, and they endeavor to utilize it in the sale of goods which they have already produced or purchased.

Fashions move from these centers to large cities elsewhere and from these in turn to small places. Consequently, manufacturers and dealers can learn this law as it applies to their own trades and keep their attention fixed on the proper quarters.

In the textile trade, for example, many American manufacturers and department stores have representatives in Paris when the styles are first appearing. Manufacturers of automobile accessories and clothing gain many hints from the automobile shows. For women's clothing, in addition to Paris, the clothes worn by popular people can be used as a guide.

This same principle applies in a different way. There are always some consumers who strive to be different or "ultra." They buy the "latest" things. Among the products they try out some are likely to be taken up next year by the great rank and file of buyers who can afford to pay substantial prices. Hence, fashions that go well this year will become general next year not only outside of these cities but in the cities themselves. These same styles may eventually be copied in cheaper lines for other groups of buyers who cannot or will not pay higher prices.

It is often possible for the manufacturer or dealer to learn the progression of styles as they apply to his own trade and in this way, by keeping attention fixed on the proper quarters, to make more accurate predictions.

A closely related means of meeting this problem is to learn the length of time styles run. Or at least to learn how long it takes new fashions to reach a particular trade stratum and how soon they are likely to be adopted by a lower trade strata, whose adoption leads to passing out of the style at other points.

A further aid arises from the increase of education among consumers, as a result of which changes in fashion tend to conform to permanent principles of design and color and harmony, particularly as these have found expression in some art period. And in consequence designs which are good from an artistic standpoint are coming less and less to be thrown over as out of date with some passing fashion. Hence, it is increasingly a solution in style-making to adhere to recognized principles of art. Examples of this are the so-called period styles in furniture. A few years ago period furniture was the "vogue." But period furniture is still good style and has been for years, and so long as our present ideas of artistry prevail will continue to be.

Another aid in solving the problem of fashion and style is to watch for movements in related lines outside one's particular trade, which will influence it in an important way. Anything, for example, that greatly influences the habits of the people, either in their expenditures or in the use of their leisure time, may be important factors in the change of demand. The bicycle craze injuriously affected all lines of trade depending upon the idea of an indoor life for young people, as lace dresses, parlor

games. The automobile trade had a similar effect on clothing, leather goods, carriages, and bicycles, and the wireless has had a marked effect on the sale of pianos, phonographs and records. Again hosiery, millinery, dresses, and shoes are a complementary group. Changes in one may well lead to changes in all. Changes in legal regulations likewise affect styles and fashions. Dry legislation, aside from its effect on the liquor industry has likewise affected the soft drink trade and the hotel business. Pure food and drug acts have not merely forced some manufacturers out of business, or to change their methods; they have likewise been used as a sales weapon by manufacturers of "sanitary" and "health giving" products.

Advertising has also been used in warding off the risk of unforeseen style changes. Manufacturers of men's ready-made clothing have been able to develop a national style market, and so can plan styles which they introduce on a national scale. This eliminates local styles and helps to keep "freak" styles from appearing. Furthermore, the influence of this advertising may lengthen the period during which a particular fashion holds sway.

Fluctuations in economic conditions often change the demand for certain products. The depression of 1921-1922 made itself felt early in the automobile market in that, while the demand for the low-priced car was not seriously affected, the number of purchasers of the high- and middle-priced cars fell off almost to the vanishing point. The depression of 1930-1932 is another instance in point. Luxuries are a drug on the market because the middle class customer can no longer purchase them, and the richer groups are conserving their resources. Changes in the demand for consumers' goods are legion, and arise from innumerable causes.

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SALESMANSHIP
AND
SALES MANAGEMENT

LETTERS AS SALESMEN

Eleven Psychological Principles Which Will Make Them Appeal to Ego and Create Business

A salesman's primary job is to comprehend the viewpoint of the buyer rather than that of the maker.

Letters are salesmen. And any author of letters who has sharpened a pencil and held it poised over a sheet of blank paper knows how baffling is the problem of devising a dependable point of contact which will pick up the interests of the majority of his readers and mesh directly with their needs.

He knows how easy it is to study his merchandise compared with studying the psychology of the prospective buyer. He has discovered how prone he is to uncap the steam and "let it off" before he has connected up with his reader's mental engine.

A smart salesman will train himself to feel out the buyer's problems and adjust his story as he goes along to allow for various objections, opinions, and requirements which he meets in the mind of his listener.

But lo, the poor letter writer! He must take ten thousand hearers, boil them down into one, then conduct a chemical analysis of the elements making up their feelings and reactions. He must then weave a story which will chime in with the mental and emotional processes of this composite reader and influence him to act. He can't, in the presence of his prospects, change even a comma.

How does he perform this feat? First, by understanding the common wants, which act as springs of action; and second, by teaching himself to imagine in advance the majority of objections.

The sales letter writer's primary job, as I see it, is to know the rudimentary forces or impulses that exist in every human creature and move him to action—to be able to locate the universal seats of motivation. He cannot parry with individual differences, and consequently must make use of forces which he knows are constantly at work in all minds. Some writers address a selective audience and can employ a knowledge of class characteristics. Others, particularly in the mail-order field, would be completely in the dark were it not for one guiding lamp—a vague insight into a great common activator, a universal impulse which sits deep in the emotional structure of all of us.

What is this magic force? It is no secret. It is the human ego—the instinct to enlarge the self. Mail-order men know it.

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Authors and editors know it. Diplomats know it. Why deny that self-absorption is the first principle?

Improving the Buyer's Conception of Himself

How can this force be used? Simply by offering, in a believable way, to enhance the ego—to improve the buyer's conception of himself. Men crave to feel important, to possess superior abilities. They wish others to look up to their position, their power. They cry for independence, for wealth, for prestige. Anything which sets an individual apart, which makes him feel relatively important, automatically secures his interest.

The world divides itself into two parts: *Myself*, my thoughts and feelings, various extensions of my ego (such as my family, my car, my neighborhood) and anything with which I may identify myself in order to feel bigger or better; and second, the rest of the world. The former is sacred, the latter of no meaning. Why waste your time writing me a letter pertaining to the cold, outer realm, or presenting an alien thought which I hate!

Although I don't like to admit it—even to myself—the chief problem on my mind is *me*. If you want my ears, talk about it! No matter what you say—I'll listen. That is, unless you sound insincere. No matter what I am doing, you can get under my skin instantly by discussing things which will improve someone's opinion of me, or my own conception of myself. Regardless of the subject of my present thoughts, there is an inner conversation perpetually going on in the back of my head, as Robert Collier has put it. Its subject is myself. If you can head into this conversation with something that fits, the floor is yours.

How to Make Use of the Human Ego

If this basic fact is the secret of effective sales letters, how can the writer make use of it in such a way that in the majority of attempts he can produce a letter which succeeds? It's easy to say that a three-letter word meaning everything to me is the explanation. But the *ego* isn't in the habit of coming out into the bright light and sitting still while we shoot its profile projection and hang a number around its neck. It works in the dark and assumes a never-ending procession of disguises. It never leaves the same fingerprints twice.

You come to recognize its work after a while, however. You put two and two together, and realize it was our friend and tireless worker. You study the experiences of other letter writers, you train your glass on human nature, and gradually you develop

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a set of pretty usable formulas for invoking the assistance of the Old Man of the Subconscious. Most important of all, you keep some kind of a record or set of notes on your own most successful letters.

During the years I have been generating letters for the purpose of "bringing home the bacon" by return mail, I have hit upon a few big appeals, and stolen—or "adapted" if you please—a number from other more venerable authorities.

I am going to tear a sheet from my notebook where I have jotted down eleven of the most effective appeals I have used or seen used (based on known sales figures). I am not contending that the list in any way represents a complete set of letter appeals. I find it a valuable guide for instant use when under pressure; and I also find that the more appeals I develop and use, the better I understand the elusive Old Man who springs my trap and bags the sale—such understanding enabling me to evolve new appeals. All of these appeals, as you will see, are addressed to the same gentlemen—the dictator and secretary of the treasury.

It is comparatively easy for either salesman or letter writer to invent a way of addressing the Ego merely as an opening or approach. Such an introduction or device for securing attention may serve to make a satisfactory contact for the salesman whose personal presence compels his prospect to follow him; but as a way of interesting a remote reader, such an approach is apt to be thrown off as a trick, or dropped with disinterest as the prospect reads on. It is far more important to employ an appeal that has to do with buying the product rather than just reading the letter. These are the appeals worth studying. The one refers merely to the contact and is aimed to secure attention. The other refers to the decision to purchase, and aims at making a sale.

Examples of "Approach" Appeal

Examples of "approach" appeals are: 1—news, especially advance news or confidential news, 2—request for a favor, particularly criticism, and 3—reference by a third party ("Your name has been suggested," etc.). These devices induce you to read, but they may fail to induce you to buy. Occasionally they are very effective, however. Handle them with caution. Their goal is to make the reader feel important, or set apart, only in reading your letter. This may leave a bad chasm to bridge.

The goal of the "motive" appeals, on the other hand, is to make the reader feel important or set apart *in buying or using*

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your product (or as a result of using it). This drives to the heart of your problem and trips the machinery of the acquisitive instinct. There is no bridge to cross, because the point of contact and the motivation are one. These appeals are direct invocations to the Old Man to see that you get the order.

When handling one of these line-drive, single-purpose, buying appeals, you not only open the letter with it, but you design the whole message around it. It is your theme song and your salesman.

Here are the promised eleven samples:

1. HELP OTHERS. Doing something for others is essentially pleasant, and most human beings will go out of their way to be of help to someone who needs it, largely because—to get at the truth of the matter—that act renders the helper superior to the one helped. It is the psychology of philanthropy. As a sales appeal, it has a potential force that it rarely used.

2. INFLUENCE OTHERS. Almost everyone feels his inability to achieve power and riches through lack of knowing how to handle people. Strategy and persuasion are the keys to leadership. Can any of the uses of your product touch this live nerve?

3. UNDERSTAND OTHERS. To know what is in another's mind seems to give a very satisfying sensation of dominance. You will have little trouble stirring the interest if you can offer sincerely to help your reader to comprehend and predict the actions of his friends and enemies. Some crave to know the psychic machinery for the sake of the knowledge—as they think —and others for the sake of the results. Dig deeper, and you can probably salt the tail of our old friend Self-glorification.

4. ATTAIN POSITION. Any condition which elevates an individual above the mass is inherently irresistible to him. It may be prestige, it may be charm, it may be education. The love of power cannot be killed. Men desire wealth (except in rare pathological cases) only as a means to position and superiority. This is common knowledge, but how many letters must be written to tease the vanity of the boss instead of the prospect?

5. QUIT WORK. For too many of us, there is one overpowering daydream that won't be downed—the wish to retire. How enchanting to think of having my time my own, of being chained to no payroll! The promise of such a day of independence will strike to the core of the common man's selfhood, but few products can honestly offer it outside investment and insurance fields.

6. YOUR OWN BUSINESS. Next to throwing up work, the human ego loves to contemplate a business or profession of his

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own. There is a reason why this invitation has always been a going mail-order institution. Men despise responsibility. They hate not work, but the feeling of obligation in working for another. Vanity finds exquisite escape in being its own boss. Not many can resist the temptation to take a fling at "going into business for themselves." Reason: the Superiority Wish in another suit of clothes.

7. MAKE MONEY. Few themes come nearer to getting the ear of 100 per cent of the public than suggestions for making money—whether spare time or full time. Almost no one is immune from the craving to have more money to dress better, to live better, to enjoy luxuries, to show off. An old mail-order trick is to propose that you act as an agent, buying a sample of the product now to show your friends. Few go beyond the single purchase.

8. SAVE MONEY. Saving money is making money. It is also being a shrewd buyer. This appeal is so universally used to death, however, that it suffers in credibility. As a consequence, your primary problem is using it to make yourself believed. This is why a cardinal rule in selling is that the price is less important than the reason for the price. To wit: broken-lot or damaged merchandise offers, often specially staged in order to create a credible excuse for a bargain price.

9. SPECIAL OPPORTUNITY. If you can offer your reader an item or service which can be bought nowhere else, you automatically have him "coming your way." The purchase itself sets him apart from the herd, and—strange as it may seem—he apparently buys largely to appease that overpowering impulse rather than because he needs the article.

10. EASE YOUR CONSCIENCE. Here is an appeal that is exceptionally good in the right place. It is rarely used probably because it is a tough one to understand. The civilized human animal appears to be pretty well burdened with what the experts call the "guilt complex"—which has very little to do with reprehensible conduct. It means the queer mental streak most of us have for brooding over what we might have done, or should be doing. Insurance is one product that ties in with this strange impulse. In fact it is apparently the most effective selling appeal, whether by letter or agent (notwithstanding the holy horror of insurance men and advertising priests over such "cheap emotionalism").

11. JOIN AN ORGANIZATION. It is well known that people are chronic joiners. If you can invite your listeners to identify

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themselves with a worth-while or helpful cause, you have a potent appeal. Can your product or service be sincerely offered as, or in connection with, a membership in an association? Or can you invite your unseen reader to be a corresponding editor or representative of some sort? Few methods have equaled this, where it is appropriate.

These buying appeals are just a few of the hundreds of possible paths to the seat of action. You can develop some of your own—you may even strike one that has never been used! These, as mentioned, are only my own check list of standard, dependable appeals. Human nature is far too intricate and many-faced to develop a fresh appeal every day. But there is always a zest in analyzing the known ones, and hoping to locate a new one.

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CHAIN STORE DEVELOPMENTS

One of the best known experts in salesmanship recently made an exhaustive study of chain store merchandising. The first sentence of the report of his investigation says: "The chain store system of distribution is a normal development of modern business." Chain store methods are not only here to stay but even bid fair to revolutionize retail selling. This type of store has really been in existence for centuries. It was known in Europe five hundred years ago. Even in America, The Hudson's Bay Company, with its hundreds of trading posts, was little more than a chain store organization. It is, however, the development of this type of retail store since the World War that has attracted attention. The facts of chain store development are of interest; what is, however, of much more value to the business man of the country, is to discover what are the basic principles of merchandising employed by which these stores seem to have retained a certain prosperity at least, in the midst of our recent depression. To learn from them, rather than to admire their marvelous expansion, is our aim.

Many chain stores have succeeded in increasing the total value of their sales during the past three years. Lower prices for their commodities have reduced their volume of sales in other cases, but the decline in the dollar value of chain store sales to the end of the year 1931 is comparatively small in proportion to that recorded by other retail establishments.

Facts of the Development

Tracing the gradual growth of chain stores from the founding of the first one in the United States—The Great Atlantic and Pacific Tea Company in 1858—to the present time, would give us an unnecessary amount of detail; but the essential facts in the recent, remarkable development of chain store selling can be briefly set forth. Until the figures gathered by the 1930 census of distribution were made available to the public, it has not been possible to ascertain with accuracy the total value of chain store sales in the United States, or even the total value of retail trade. The following table shows the sales in 1931 compared with those of 1930 for thirty-eight important chain sales groups in this country. It will be seen from these figures that fifteen of these organizations actually increased the dollar value of their sales in 1931 as compared to the previous year. This is all the more noteworthy since the Bureau of Labor index indicated that retail

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food prices (foodstuffs account for a large proportion of the aggregate sales of chain stores) declined 17.7 per cent in the year under consideration.

CHAIN STORES SALES (38 GROUPS) IN THE UNITED STATES IN 1930 AND 1931

	1931 Sales	1930 Sales	Per Cent Change
Great Atlantic & Pacific Tea Co..	$1,037,711,152	$1,081,100,627	−4.0
Safeway Stores (Including MacMarr).....	284,926,151	303,539,346	−6.1
F. W. Woolworth.....	282,666,349	289,286,346	−2.2
Kroger Grocery & Baking Co....	244,364,814	263,567,090	−7.2
J. C. Penney.....	173,695,442	192,943,765	−9.9
S. S. Kresge Co.....	145,785,474	150,353,703	−3.0
First National Stores.....	106,868,721	109,339,422	−2.2
National Tea Co.....	76,657,861	85,236,533	−10.0
W. T. Grant.....	75,297,081	71,050,381	+5.9
S. H. Kress Co.....	69,041,925	69,283,102	−0.3
Walgreen Co.....	54,069,709	51,647,300	+4.7
McCrory Stores Co.....	43,293,068	43,223,531	+0.2
H. C. Bohack.....	35,551,025	32,872,279	+8.1
Grand Union.....	35,239,902	37,009,934	−4.7
Daniel Reeves, Inc.....	31,149,208	34,007,497	−8.4
J. J. Newberry.....	31,147,430	30,187,450	+3.2
Melville Shoe.....	26,285,125	28,654,300	−8.2
Lerner Stores.....	26,067,607	25,291,307	+3.1
Dominion Stores (to Dec. 26)...	25,200,927	24,118,586	+4.4
Childs Co.....	24,302,723	26,551,467	−8.4
McLellan Stores.....	21,946,670	24,046,536	−8.7
Interstate Dept. Stores.....	21,409,587	21,784,712	−1.7
G. C. Murphy.....	19,181,558	17,498,022	+9.6
Consolidated Retail.....	18,917,893	21,782,444	−13.1
Peoples Drug Stores.....	17,472,674	16,777,867	+4.1
Neisner Bros.....	15,958,787	16,507,157	−3.3
Waldorf System.....	15,541,768	15,958,394	−2.6
Lane Bryant.....	15,233,843	17,139,478	−11.1
Loft, Inc.....	14,316,425	9,554,003	+49.8
Western Auto Supply (Kansas City).....	12,426,000	13,885,000	−10.5
Schiff Co.....	10,171,078	9,932,214	+2.4
Bickford's.....	7,867,318	6,041,777	+30.2
Kline Bros.....	5,471,956	4,724,084	+15.8
Exchange Buffet.....	5,254,535	6,316,050	−16.8
Winn & Lovett.....	5,116,600	5,416,216	−5.5
Sally Frocks.....	4,527,706	4,662,918	−2.9
M. H. Fishman.....	2,641,597	2,268,079	+16.4
Kaybee Stores.....	1,967,372	1,963,070	+0.2
Total 38 Chain Store Companies	$3,044,745,061	$3,165,521,987	−3.81

Source: *The Index*, June, 1932. Published by the New York Trust Company.

Opposition to Chain Selling

Marked opposition to chain store expansion has come from individual enterprisers, especially in southern and middle western

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states. Part, at least, of this hostility has been due to misconceptions. The feeling has existed among individual enterprisers that chains were practically all national and international corporations with no local or sectional interests, and that their success meant the crushing out of the individual enterprise, in fact that their success came only because they did eliminate the small business by unfair methods. As a result of these sentiments and of opposition to the growth of chains thus engendered, they have been penalized by legislation imposing graduated license fees or taxes on gross sales. A number of states have passed such legislation. The law in Indiana was made a test case and since the Supreme Court has upheld the constitutionality of the Indiana law many other states have taken steps to place similar legislation on their books. In some cases the new legislation was not enacted solely because of opposition to chain store development; taxes on these sales constituted what was regarded as a new source of funds.

Opposition to sales of these larger corporations has not all been well founded. The Census Bureau divides these stores into three groups as follows:

"Chains are classified as local if substantially all of their stores are located in and around some one city. Sectional chains are those whose stores are located in some one section of the country, such as the New England states or the Pacific coast states or in the Gulf southwest or any other geographic division. National chains are those whose interests are broader than those of any one section of the country."

Chain store selling, it appears from data supplied by the Census Bureau, is not done, as has been commonly supposed, largely by soulless corporations of national and international extent. Of the 7,046 chain organizations enumerated as such in the census, only 321 are defined as national; some 1,136 are classed as sectional, and 5,589 are local chains. The national chains are credited in the Census data with sales amounting to $4,804,754,988, while sectional and local chains account for sales of $5,967,229,046, of which $3,547,338,285 is attributable to local organizations. It is now clear, too, that chain stores are not "fool proof" organizations that return profits simply by virtue of their size. It is clear that their development from 1920 to 1929 was too rapid; they were overdeveloped, and overlapped in their activities. The last three years have seen a contraction and a consolidation along sound business lines that will greatly increase their efficiency.

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Why Does the Chain Store Succeed?

It is more profitable to study our competitor's success to see why he progresses than to rail at his progress. Knowing the principles and practices on which his prosperity is based, we may be able to incorporate them into our own enterprise. The chain store has succeeded chiefly for two reasons: first, because it gives less service to its customers, and second, because it is more efficiently managed. No wonder it can sell for less. Chains sell for cash; they do not deliver; they have no bad debts, nor do they wait for payment from one to six months with the consequent loss of interest. It is expensive business to have a customer call by telephone for a yeast cake, ask to have it charged, and delivered immediately, even if the charge is later paid. But after all, the success of these group stores is much more attributable to what they do than to what they do not do. They deserve credit for having introduced scientific methods into merchandising. Net profit is the product of the margin of profit on each line times the turnover. Chains find out just what lines are profitable and eliminate the unprofitable items. Then what is more important still, they systematize operations, and nothing is left to chance. All stores are arranged on the same plan, an accounting system which controls all details, worked out at the central office, is applicable to every unit, and managers are scientifically trained as salesmen. Chain store development in retail groceries is nothing but the same large scale operation that has made the United States Steel Company, the American Telephone and Telegraph Company and the New York Central Railroad.

The Problem of Distribution

Up until recently the field of distribution in retail salesmanship has been sadly neglected. We have spent our industrial and commercial energy on "cutting down the cost of production." The chain store has given its attention to just this problem—how to distribute retail goods efficiently. They have eliminated the waste of distribution; it behooves the independent enterpriser in their lines to profit by their example. They select strategic locations and carry only goods which have a reasonable turnover; they give the consumer one hundred cents' worth of commodities for one dollar by the "cash and carry" system. When the small independent dealer operates on these same principles he will find his business thriving alongside the chain store, for he performs a service which the chain can not give. Chain store management has put "cracker box" salesmanship in the discard.

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SALESMANSHIP AND SALES MANAGEMENT

SCIENCE AND ART OF SELLING

Divisions of Modern Business

ALL modern business may be classified in two main divisions: the manufacturing of the goods or service to be sold, and the selling, or distribution of the product. Other divisions have to do with the financing of the enterprise and the recording of the work that the other divisions do.

Distribution of Goods

Successful manufacturers agree that it is easier to produce goods than to sell them; that is, the profitable sale of a new line of shoes is usually a more difficult undertaking than the manufacturing. Distribution, the process of getting the product from the maker to the ultimate consumer, is therefore the greatest problem of the business world. The success of a business depends primarily on the effectiveness of the distribution of the product.

The familiar saying: "If a man.....make a better mouse trap than his neighbor, tho he build his house in the woods, the world will make a beaten path to his door," is not to be taken literally; the philosopher neglected to add, "if the mouse traps are called to the attention of those who need them." Generally speaking, to sell successfully, goods must be meritorious, but the long list of manufacturers of meritorious goods and dealers in them who have failed to build up a successful business demonstrates that in this complex age the handling of the product after it is made plays the largest part in the success or failure of the product.

It might seem to be natural for man to know his wishes or needs and to make them known to those who have the goods or service to supply such wishes or needs. But products are of so great a variety and one man's knowledge of them is necessarily so limited that men do not always know their needs or feel them strongly enough to supply their wants without solicitation by those who have the goods or service to sell. A retailer may need certain goods that he could easily order voluntarily, but often the need remains undiscovered or unheeded until the retailer is solicited. A farmer may be able to make profitable use of a gaso-

line engine, but ordinarily he will not buy until influenced by oral or printed information or solicitation.

Furthermore, human needs, instead of being fixed, are subject to constant change and development. New and improved devices are being produced continually, but they must be brought to the attention of the consuming world before there is any market for them. Goods known as staples, which are generally known and for which there is a regular demand, move in the world's market with a minimum amount of sales effort. Man must have food, clothing, etc., to meet ordinary needs; the only question is what kind of food or clothing he will buy. The luxuries demand more sales effort. But time moves swiftly, and the luxury or the novelty of one year may be a staple in the next. At one time, oranges were considered a luxury; they have long been staple. Grapefruit was, until recently, a luxury; now it may be called a staple. The automobile would also now be called a staple; only a short time ago it was a luxury. Something that was needed a decade ago may not be required at all now; a new need may have replaced the old. An attractive new article, like the radio, frequently comes on the market. It may fill a real need. But since the consumer does not know before its appearance that such an article is a possibility, there is no opportunity for the need to be definitely realized. But when the article appears, thousands of people are instantly attracted by it, and become owners of it.

Creativeness of Modern Salesmanship

In its primitive stages, the art of selling was practiced on the assumption that those who had things to sell and those who wanted them would realize each other's needs or desires and come together easily and naturally for the purpose of exchanging. Rural stores are still very often conducted on the passive plan, the merchandise being unadvertised, undisplayed, and little or no effort made to present it to the attention of possible purchasers. Such selling meets the simplest needs but marks no progress, and would doom a business to failure if brought into competition with more modern methods.

One objection that is sometimes made to salesmanship is that the salesman attempts to sell things that people do not really need. This is very often true, but the highest type of salesmanship, known as *creative salesmanship,* is that which makes people see their needs and then satisfies these requirements. It has been said that a good salesman is like a good cook; he can create an appetite if the prospective buyer is not hungry. Comparatively

few life-insurance policies are sold as the result of men seeking life insurance, yet thousands of widows and orphans are thankful for the salesmanship that made the former provider for the family see the need of life insurance—that actually created a demand for it. Natural demand would have sold very few cash registers or adding machines; these modern and useful products owe their great success to the salesmanship that made men see that cash registers and adding machines mean more efficiency, the elimination of drudgery, etc. A famous sales manager says of cash registers: "Most of them are sold; few are bought." It is only by exploiting such machines energetically and selling a large number that the manufacturers are able to sell the the machines at a reasonable cost. If sales were to be confined to hundreds instead of thousands, the cost of such machines would be prohibitive to the average buyer. Therefore, instead of selling effort adding to cost, it is actually indispensable in order that sales can be made in numbers that permit a popular or reasonable price. Even the sale of staples is increased by selling effort, as is shown in the case of Domino Sugar, Uneeda Biscuit, etc., which are merely staple goods put up in an attractive form. In these instances it may be said that creative salesmanship consists in service to the customer rather than in creating a demand.

It is impossible to name a line of business in which salesmanship is not used, and of which it does not form an important part. The ordinary manufacturer would soon have to go out of business did he not have some outlet for his product provided by a sales force of some kind. Some one has truly said that the markets of the world are built on salesmanship. The great inventions would remain practically unknown did not the shrewd genius of the salesman take hold of them and market them rightly. Fertile lands often lie uncultivated until the salesman turns the tide of emigration toward the land he is selling. Farmers are gradually coming to a realization of the importance of marketing their products in accordance with modern selling methods.

The professional man, held by tradition and ethics from directly marketing his services, gets business by an indirect method of salesmanship—by joining clubs, by creating as wide a circle of friends as possible, and by relying on the selling influence of satisfied clients. Even the employe is engaged in the business of selling; he sells his service. The amount he receives for his service depends to some extent on his salesmanship—on his ability to show the value of his work to his employer.

The banker is obliged to be a salesman; he must use salesmanship methods in getting deposits and loaning money. Banks

not only advertise, but they send out solicitors for savings and commercial accounts. Business, fraternal, and social organizations have campaigns for membership. Clubs, by the use of active solicitors or other direct methods, try to secure new members and bolster up the old membership. Commercial and fraternal organizations put men in the field to sell what they have to offer. Even churches are using adaptations of selling methods to secure converts. The wheels of the entire business world would stop almost with a jolt did not the salesman keep them moving.

Influence of Salesmanship on Cost of Living

A legislative committee in the United States once charged that advertising, which is merely a form of salesmanship, has helped to increase the cost of living. The conclusion, a mistaken one, was that if goods were not made known by expensive advertising methods, prices could be decreased and the cost of living reduced. The legislators overlooked the important economic principle that with the exception of goods that are imitative of successfully advertised goods and sold by reason of the similarity, everything but the most staple merchandise must be promoted, in order that successful sales may be built up. To discourage advertising and salesmanship would mean the curtailing of information that is essential to modern life. It would mean the discouragement of invention and improvement, for it would avail nothing to invent a new product or improve an old one if the world were to be kept in ignorance of it.

Definition of Terms

The science of any work is the collection of laws and principles that govern that work; art is the ability to apply these principles and laws. In other words, science always relates to something that is to be known; art, to something that is to be done. To put it more concisely, science is the knowing; art, the doing. Salesmanship is the science that embodies the laws of successful selling.

Successful selling means the disposal of goods at a profit to the owner, the seller, and the buyer. The securing of profit to only the salesman is not the highest form of selling. The original owner of the thing sold must have a satisfactory profit so that he may continue his business; the salesman must have profit so that he will receive proper compensation for his work; and the purchaser must have the right kind of profit, or benefit, so that he will give the salesman and his employer future orders. The man who can cause a three-fold profit to be made on one trans-

action wins the friendship and support of two other men, besides obtaining a profit for himself. Every customer is then a satisfied buyer, one who will help swell sales, and the great work of distribution is proceeding on a sound basis.

Qualifications and Rewards of Salesmen

The essential qualifications of a successful salesman are best grouped in the four natural divisions of the study of salesmanship: Self-development, knowledge of the customer, knowledge of the goods, and the details of the sales itself. This last division might be called the technique of salesmanship.

Lists prepared by various authorities on salesmanship showing the essential qualities of a good salesman indicate that, as one writer well expresses it, "Selling is nine-tenths man and one-tenth business," for most of the essentials included in these lists have to do with the personality of the salesman. Without a pleasing and forceful personality, the salesman is handicapped; with it, he can influence those with whom he comes in contact and make himself a master of men. Later, detailed consideration will be given to the very important subject of self-development. For the present, therefore, it is sufficient to state that, since in salesmanship the biggest element is personality, the most important thing to do, in order to qualify for success in selling work, is to make a careful study of one's mental and physical equipment in order to learn what weaknesses need to be strengthened and then to carry out a definite program of self-improvement. This implies a knowledge of the laws of health and of the operation of the mind.

A salesman must make a close study of human nature so that he will be able to adapt himself quickly to the different classes of people he will meet. He must learn how to recognize different types at a glance. If he plans to sell something to women, he must understand how to make an effective appeal to the particular type of woman he is trying to influence. He must understand her circumstances and her manner of reasoning, and must learn what plan of selling will be most successful in dealing with her. If he is selling something to farmers, he must have a definite idea of their probable attitude toward what he has to sell. The ability to size up people quickly is a very valuable asset for a salesman, because it enables him at the very outset of his canvass to make a favorable impression, which increases greatly the likelihood of closing the sale.

A complete knowledge of the article or service handled by a salesman not only enables him to put more enthusiasm and

interest into his canvass, but also furnishes him with a ready means of meeting objections that are interposed by prospective buyers. A salesman should know how to analyze his commodity so exhaustively that he may secure a detailed inventory of its merits, from which he can select for presentation those features that will make the strongest appeal to each person he approaches. The salesman can use this method of analysis when studying competing goods as well as his own. In the instructions given to salesmen by the strongest sales organizations in the country great emphasis is laid upon this point, and care is taken to impress salesmen with the importance of becoming thoroughly acquainted with the commodity they handle.

Sometimes a salesman fails to achieve the success of which he is capable because he slights little points in the selling process. He does not make the right use of samples; he does not know how to locate prospects; he does not know how to make it easy for a customer to sign an order. Much attention has been given, during the last few years, to the proper procedure at every step of the selling process, and certain definite principles have been established with which every salesman should become familiar. He should know how to argue forcefully and tactfully, how to answer objections, how to locate possible purchasers, how to approach them effectively, and how to maintain friendly and profitable relations with customers.

Importance of Studying Selling Methods

Almost any one of fair intelligence can, with a little observation and experience, learn something of the art of selling; considerable aptitude and experience should result in more than ordinary ability, even though the science of selling is not studied in an orderly manner.

As many thousands have become fairly proficient in the art of selling merely by following the slow, rambling road of experience, it seems evident that, through orderly and thorough study of the science of salesmanship, other such persons may become much more proficient. Those who observe critically the thousands employed in the selling field are impressed with the fact that comparatively few are highly skilled in the art of selling. This is more apparent in retail stores than in large manufacturing organizations; large manufacturers must have capable men, even if they are obliged to establish their own training schools.

For decades, though the business world has needed more salesmen than bookkeepers and stenographers combined, there has been almost no effort by schools to prepare persons for the

important work of selling. Only within the recent past has an effort been made to teach salesmanship, and today the study of salesmanship is left largely to the initiative of the individual. Consequently, the lack of well-trained salesmen is one of the greatest problems of the progressive manufacturer and merchant. Skilful manufacturing, buying, and advertising are on every hand, robbed of their full force because the customer comes into contact with the salesman only, and must judge the manufacturer or merchant largely by the intelligence and service of the salesman.

Until very recently, institutions of learning made little or no effort to train young men specifically for selling; therefore, the great manufacturing concerns, insurance companies, etc., that employ large staffs of salesmen, have found it necessary to establish their own schools and to give all candidates for employment at least a short period of instruction in the science of selling. In some cases, these schools are located at the factory, so that prospective salesmen may get a first-hand knowledge of the processes of manufacture; in a few instances the instruction is given by means of a correspondence course.

Methods of Learning Salesmanship

At the present time, there are four principal methods of learning salesmanship: (1) Study of an orderly treatment of the science. (2) Study, or study and practice combined, in a training school established by an employer for the special purpose of providing training in salesmanship for his particular needs. (3) Drawing on the experience of other salesmen by associating with them, going out with them on their calls, talking with them, and reading their experiences in books, magazines, etc., and by seeing demonstrations by sales managers or others. (4) Learning through experience.

The ambitious man will take advantage of the first, third, and fourth methods in any event, and will get all he can from each. The first method will give an admirable preparation for the third and fourth, because, understanding the science of his work, the salesman can keep clear of those practices that the experiences of others have shown to be inadvisable. Furthermore, he will be able to understand and apply quickly all that comes to him through experience. He will know the reason for things and can act with greater confidence.

Factors of Merchandising

Much has been said about the dependence of business on the work of the salesman, showing that the distribution of the product

is ordinarily an even greater task than the manufacturing of it. Successful merchandising does not, however, depend entirely on the efficiency of the individual salesman, important as that efficiency is; other factors enter into the problem. As successful individual work by the salesman must be based on sound merchandising policy and plans, it is important for every student of salesmanship to understand modern methods of marketing.

Some of the usual factors of successful merchandising, in addition to individual salesmanship, are:

1. Sufficient capital and wise financial management.
2. Character and ability of those who conduct the business.
3. Character of business, the merit of what it produces or handles, and the demand for it that can be created.
4. Proper location of business.
5. Effective arrangement of place of business.
6. Successful advertising.
7. Skilful figuring of costs and profits.
8. Proper method of distribution.
9. Good delivery or transportation facilities.
10. Judicious buying.
11. Proper management of employes.
12. Good business correspondence.

A few moments' study of the dozen common factors here listed shows that the product, the management, and the plan of selling must be right before the most efficient individual salesmanship can be expected. The difficulty with many struggling concerns is that the general management, the plans, or some other factors are weak, and in expecting selling effort to make up the deficiencies, they are asking for bricks without furnishing the straw.

ESSENTIALS OF A GOOD SALESMAN

THE successful storekeeper must have in stock the goods that his trade needs. Likewise, to achieve success, the salesman must have the qualities that are necessary in selling. A careful inventory will show a salesman what qualities he possesses and in what qualities he is deficient; it will also show along what lines he should endeavor to grow and what traits must be controlled.

Various charts have, from time to time, been arranged by leading business writers and managers, to show the essential qualities of a good salesman and their relation to one another. As the English language is rich in synonyms, these summaries vary considerably in terms, but there is not much difference of opinion as to the essentials.

A list prepared by one of the best-known American sales managers names only ten qualities: Health, honesty, ability, initiative, tact, enthusiasm, sincerity, energy, open-mindedness, knowledge of business. He comments on the fact that nine of the essentials deal with the man himself and only one with the business. "This," says he, "goes to show that selling is nine-tenths man and one-tenth business."

The chart shown in Fig. 33 covers the physical as well as the mental qualities. While the essentials may be further subdivided and finer distinctions drawn, the chart is elaborate enough for all practical purposes.

Relation of Personality to Success

Nine out of ten men, answering the question as to what determines success in selling work, would probably reply personality. Purchasing agents and others thrown into contact with many salesmen say that they have to be constantly on guard against the tremendous force of personality. Various classes of goods practicly sell themselves, so that into the sale of these it is unnecessary to introduce strong personality; but wherever it is necessary to educate the prospective buyer as to the need or the usefulness of the article or wherever competition is strong, the force of the salesman's personality is frequently a greater factor in making a sale than the article of merchandise sold.

Real salesmanship is a meeting of minds, in which the sales-

- Essentials of Successful Salesmanship
  - Knowledge
    - Of goods or service
      - Raw materials
      - Manufacturing processes
      - Selling points of finished article
      - Possible demand
    - Of house and its methods
    - Of business methods generally
    - Of competition
      - Strong points
      - Weak points
    - Of self
      - Strong points
      - Weak points
    - Of other men
      - Strong points
      - Weak points
  - Courage
  - Confidence
    - In goods or service
    - In house and its methods
    - In self
  - Ambition
  - Observation
  - Energy
    - Initiative
    - Concentration
    - Persistence
  - Imagination
  - Enthusiasm
  - Optimism
  - Good health
    - Proper eating and drinking
    - Proper exercise
    - Sleeping and rest
    - Fresh air
    - Good temperament
  - Good appearance
    - Clothing
    - Care of person
  - Courtesy
  - Tact
  - Self-control
  - Ability to talk
    - Fund of general information
    - Knowledge of art of reasoning and suggesting
    - Genuine interest in others
    - Ability to listen well
    - Fair knowledge of language
    - Pleasing voice
  - Honesty
  - Loyalty
  - Judgment
  - Memory
  - Will
  - Habit

FIG. 33

man's mind succeeds in inducing the other mind to look upon the commodity under discussion as it exists in the mind of the former. If it were a mere machine that could weigh all evidence for and against a proposition and show which side had the most, personality would count for but little. But just as the personality of the minister may greatly affect his message and his audience and the personality of the lawyer strongly influence a jury, so the personality of the salesman is a powerful factor on his hearer, the customer.

At a recent convention of salesmen, the question, "Is education more necessary to successful salesmanship than personality?" was discussed for an hour. Some of the men referred to successful examples of selling where knowledge of the product triumphed; others pointed to prominent salesmen who had succeeded by sheer force of personality with no education. But this method of answering the question was not satisfactory. Every example of selling plainly showed such a complexity of factors that an analysis proved that what one man thought was education another considered merely information, that some considered personality in the light of general culture and others as simply personal appearance. Furthermore, one salesman thought that education could not be considered separately from personality. "Education," said he, "is as much a part of a man's personality as is his fine physique. A man smiles and shakes hands at the right time and place, dresses appropriately, acts tactfully, speaks correctly, carries out every activity of life in satisfactory and useful ways, because he knows. Education, then, implies the possession of facts, a knowledge of relative values, and habits trained to act instinctively on suggestions that call for their correct use."

Education trains the intellect to control the speech, the facial expression, and the various muscular activities by which one man knows another; that is, interprets his neighbor's personality. Education is a process, and personality a product; the former may be as necessary to a great personality as is the machining process in making an engine, but it is not the finished product.

Definition of Personality

There is no need, however, to enter into a long discussion as to the power of personality, for it is generally conceded that, other things being equal, the salesman with the stronger personality makes the better record. This is true in all walks of life where man's success is worked out by his dealings with his fellow men. So far as the student of salesmanship is concerned, the

pertinent questions are: What is personality? and, How may one add to the power of his personality?

Personality is the product obtained by educating the body and the mind; it includes all those characteristics that distinguish one person from all others.

Every man has a personality of some sort just as he has a mind and a body. It may be strong or weak, attractive or repulsive; but no man is without one. What that personality is depends on all the factors of production that go to make it. A weak mind or a sickly body may spoil a personality, just as bad steel or leaky cylinders spoil an engine. Similarly, faulty education may train a man's actions, expressions, or feelings in such a way that people will be impressed with his repelling personality.

Analysis of Personality

Selling power is acquired by making a thorough inventory of personal qualifications, by taking definite steps to exercise and increase the weaker characteristics, and by weeding out any faults that may interfere with success. The chart given in Fig. 33 should be carefully studied so as to determine what traits must be acquired, more fully developed, and held in control. No two persons have exactly the same characteristics to an equal degree, yet by careful training two persons may be equally successful in the same line of work. The need of careful self-analysis is shown by the frequent failure of salesmen who possess strong characteristics, such as energy, enthusiasm, loyalty, good humor, tact, and appearance, to make their meaning clear to others, because they lack some other needed qualities.

Necessity for Careful Analysis

A close study of Fig. 33 will show that what is generally called personality is only the evidence of it. Courage, mental poise, personal neatness, carriage, etc., are all expressions of the complete product. Back of the actions that disclose the temperament, the health, or the knowledge of a man lie the great inherited or cultivated forces of mind and body; here lies the source of strength or weakness in a man's personality. If the will is weak, self-control, mental application, and the power to inhibit are weak. If the body is neglected through inattention to eating and drinking, the effects will be reflected through a lack of endurance, a sickly skin, or an ingrained pessimism. Any or all of these defects, therefore, reflect a poor personality. But no one group of expressions embraces all there is to personality;

back of a man's expressions, actions, and clothes lie the real forces of mind and body that under control and direction of the educational processes determine this essential.

Value of Introspection

Self-analysis, or the act of looking within oneself, is often known as introspection. This power enables a man to see what is wrong with himself and is the first step toward correcting the weakness. The man who has little or no power of introspection is likely to be an egotist. He can see nothing wrong with his actions and has nothing to regret or to correct. He will make the same mistakes repeatedly, not knowing that it is his own weakness that causes him to lose sales. Such a man usually is overconfident, and while this sometimes enables him to browbeat his way through, it makes him objectionable or obnoxious to other people, so that in time a general prejudice may be formed against him. This type of man is not uncommon. Seeing nothing wrong in his own personality and in his own opinions, he becomes overbearing or brazen and loses the respect of those with whom he does business.

The man who is too introspective is self-conscious and timid. He often sees his weaknesses with a magnifying glass, dwells on them, and imagines that they are more pronounced than his strong points, and this belief is a hindrance in his dealings with his fellow men. There are persons who think and look within so much that they imagine the whole world is studying them to see their faults. Such a one has his attention so much taken up with thoughts of weaknesses that justice cannot be done to the work at hand.

The remedy for the man who has little or no power of introspection is to ask others to help him analyze his faults. His failures should show him that something is wrong, even if he is absolutely blind to his personal shortcomings. Sales managers will often, without waiting to be asked, tell the man with no power of introspection what is wrong so far as they can see it. This is not always a pleasant job, but the man without the power of introspection is usually able to stand a review of his weaknesses without humiliation. If the sales manager does not do this voluntarily, the man who cannot account for his failures should go to his sales manager or to some one else who he believes will be frank, brutally frank if necessary, and say, "Please be kind enough to tell me exactly what you think is wrong with me and my way of doing things." Many men who have asked that favor from close friends have got light and then seen themselves as

others see them. If a man has a fair measure of good sense, he will always be thankful for the favors of this kind, even if they do hurt, for they are real kindnesses.

Remedy for Excessive Introspection

The man who introspects too much will do well to remember that the world is a big, busy place and that it does not pay one-half as much attention to him as he thinks. One sure cure for self-consciousness is to get full of the subject of the work to be done and then mix freely with people. The man with enthusiastic knowledge of a subject who works hard will be forced to forget himself partly. He need not undertake to forget his personality altogether, for the power to analyze failures and to see the better way of doing the thing next time is really a great gift. Many a self-conscious man has had a good laugh, when he has had preliminary fears that he was not doing justice to himself but later got close to his subject and his man and found that he was mentally the superior of the other man, and that victory was comparatively easy.

The entire trouble with the overconscious man is that he shuts himself up too much within his little shell, and broods or discredits himself. If he will hold before himself the ideal of the man of just the right balance between the extremes of too much introspection and none at all, he will slowly but surely grow toward his ideal. No better proof of this fact is needed than that some of the most forceful speakers and other public men were once extremely self-conscious but overcame the weakness by right mental habits.

Courage

Many men suffer from timidity and self-consciousness. One of the best-known salesmen in New York City says that when he first left an inside job to take up selling work he sometimes walked up and down in front of a place of business, hesitating to go inside to ask for an order, even when he had good reason to believe that the order could be had. But by the right sort of mental discipline he overcame the weakness and for years has enjoyed unusual success. To see that man today one would never imagine that he suffered at one time from timidity.

Doctor O. S. Marden says: "Timidity, shyness, and self-consciousness belong to the same family. We usually find all where we find one, and they are all enemies of peace of mind, happiness, and achievement. No one has ever done a great thing while his mind was centered upon himself. We must lose our-

selves before we can find ourselves. Self-analysis is valuable only to learn our strength; it is fatal if it makes us dwell upon our weakness."

One sales manager says to timid men that he employs: "Throw your shoulders back and walk up to every man as if he owed you ten dollars." When the timid man has dealt with a few dozens of men he is not long in finding out that a man is nothing but a man, no matter if he is president of a big corporation, and that the man-fear is nothing but a delusion. The gruffest men have good qualities when you know them well. After all, every man knows it is ridiculous to have fear of other men, when all that one may do to a salesman who bears himself courteously is to be inconsiderate, discourteous, or insulting, and that always harms the man guilty of such action more than it does any one else. The timid, sensitive man is usually gifted with a fine nature that counts for much when some of his tender spots have become hardened by constant rubbing with the busy world.

Confidence

Knowledge, courage, and confidence go hand in hand; to some extent they overlap. A man knowing thoroughly a certain line of business is likely to believe in himself. He would be a rare man who could have knowledge and courage without self-reliance. The successful salesman needs to understand not only himself but the business he represents. If he lacks confidence, he should study the business and get this quality or else give up the vocation, for nothing is more certain than that a man cannot do his best work in a calling that does not command the best in him.

A man cannot have thorough belief in himself without having something substantial on which to base his faith. Specific knowledge of his business and of himself is the corner stone of self-confidence. The glib talker is at a disadvantage in competition with a salesman of superior equipment. Few salesmen doubt their natural ability, yet many distrust their resources when confronted with the complex and the unusual. It is specific knowledge that steadies the surgeon's hand and gives him courage to perform an operation where a life is at stake. To acquire similar confidence, the doubting salesman should study his goods in their larger and broader relations to the people, and study them from viewpoints other than his own. He should get in touch with the most successful salesmen his house has on the road, learn what they know and how they apply their knowledge.

Confidence in self is increased by each victory and by a

philosophical view of all failures. Few attempts, when a man has done his best, can, with strict accuracy, be called failures. In the eyes of some they may be failures, but each is a profitable experience. The man who has faith in himself and the business he represents knows that his inability to carry his point occasionally is merely an incident. He knows that he has the power that must eventually pull him through. So he merely looks to details to see what is wrong when the order fails to come, but optimistically perseveres.

Importance of a Motive

The man without a motive is like a rudderless ship that must sail somewhere but drifts hither and thither with no fixed direction. Many a young man has received a motive in being forced to see how much better other young men of his age are doing; or by marrying and being forced to become a better earner in order to support a home; or by the desire to be well-to-do, to have luxuries, or to receive the praise of men.

A recent exhaustive study of a large force of salesmen brought to light the telling fact that every successful man had some well-defined purpose or motive for making his work a success. In some cases, the motive was the earning of a comfortable income. In other cases, the successful salesman was a spendthrift, but lavished the money on his wife, and his satisfaction in providing her with comforts and luxuries was the motive that impelled him to exert himself.

If a man persuades himself, or is persuaded by another, to launch himself upon a well-defined course, turning away from everything of subordinate interest, relinquishing everything of lesser value, then purpose is formed. Every power of mind and body will bow to the dictates of the will. *Purpose is personality dominated by ambition.* It is the whole man engaged and engrossed in the accomplishment of one object. Thus, discontent and desire have been changed into a driving force. The man now undergoes a remarkable change. He is no longer apologetic, timid, and shy. He takes on a temper of aggressiveness, carries himself with an air of resourceful self-confidence, looks circumstances in the face with a challenging boldness, and generally acts as if he were already living on a high plane of leadership and authority.

Observation

Observation is the quality that enables one to keep alert and to see things. This is an important quality to cultivate, for

otherwise a salesman will miss seeing many things that he can use to advantage in his work. A salesman walking through the great H. J. Heinz kitchens saw that the pickles were carefully assorted as to sizes, and put into the bottles in just the same order, and that the little piece of red pepper was always inserted at the same place in each bottle. His observation and his inquiries gave him the knowledge of the exact, careful way in which his employers did their factory work, so that he was afterwards able to use that point.

Observation comes from giving close attention and from using the imagination on the facts observed. The observant man not only sees but he is free with intelligent questions and thus completes his store of information. If he is an insurance man, he is quick to note the fact, when he calls at a prospect's home, that the man has a large family dependent on him, and thus gains knowledge that he can use in his canvass.

Energy

Ambition may well be compared to the fire under the boiler, and energy to the steam that runs the human machine. A man may have many other strong qualifications, but if he lacks energy the rich rewards of salesmanship will not be his. The person who imagines that the successful salesman has a life of ease should not take up the work. True, he is often more independent than the office man and can manage his working hours largely to suit himself, but he must arrange his time to the best advantage if he is to make it count for success.

The man who is not alert to pick up information and quick to act on it will probably be late in his dealings with firms about to place orders; and he will have a much harder fight to get business than the man who is on the ground early. Then, too, in order to have a fair chance to land a contract, a man often has to put in hard work investigating a certain situation and going well prepared. A bit of information may cause an enterprising salesman, or solicitor, to take a midnight train and a long drive early the following morning in order to get an interview with his prospective customer at the right time. Sometimes, when he is thoroughly tired, it may be necessary for him to brace up and be at his best for a few hours more in order to do justice to his employer in an important deal. At times, there may be half a dozen urgent calls to make before the departure of a train that the traveling salesman feels he should take in order to attend to important matters elsewhere. In such cases, he must be thoroughly in control of himself in order to do his

duty properly. But the work grows attractive. Men have gone into such business feeling at first that it was too much of a strain, and have quickly grown in power.

Divisions of Energy

For convenience, energy may be divided into *initiative, concentration,* and *persistence.*

Initiative, which may be defined as ability to start something, grows out of memory and a healthy imagination. The accident-insurance man with initiative sees in an accident in a large shop, to a man that carried a policy, a suggestive example that will help him sell dozens of policies to the workers of that shop. Initiative makes him act quickly while the example is fresh in the minds of the men, and it is easy to induce them to secure policies for their own protection.

The giving of thorough attention to the work at hand is concentration, which is intense work; it threshes out all the grain of the wheat. The accident-insurance man just referred to, if he is a good concentrator, will leave no stone unturned in his work on the men of the shop. Armed with a letter of gratitude from the beneficiary of the policy covering the accident, he will seek the approval of the superintendent or foreman and will then put accident-policy literature in the hands of all who can read. He will interview all the men, knowing that sometimes the man with whom the salesman least expects to do business is the one who gives an order. The concentrative salesman will then go over the ground again and get as much business, after the field would seem to some salesmen as worked out, as he did in the first covering. The concentrator is an enthusiast, and he finds that his work develops him as well as his business. No man ever put through a concentrated effort without coming out a bigger man.

The final element of energy is persistence. When a man has thought out an idea and has worked at it with all his force, the only remaining thing needed is the persistence to keep at the job. Thousands of good plans have been put down as failures or as near-successes because they were abandoned too soon, because the salesman lacked "stick-to-itiveness." Of course it is good judgment to abandon any plan as soon as it seems certain to be a failure and merely a waste of valuable time. But a little experimenting does not necessarily prove failure. It is a human weakness to form judgments too quickly. There are too many men who can work with great enthusiasm as long as everything goes well, but when something apparently is wrong

they cannot stick with bulldog tenacity and try plans out to the end.

Keeping everlastingly at it brings success, is the motto of a successful selling organization. Almost any sales manager can cite cases where men of apparently no brilliancy make fine records regularly by their tenacity. They go back to see a prospect whom most men would give up. They probe persistently to the bottom of excuses and get light as to how to canvass when other men would leave in disgust. Hugh Chalmers tells of an instance in his own experience where the most persistent work on a prospect seemingly failed to accomplish anything. Finally, when asked, as a favor to the salesman, to tell why he would not buy the cash register, the prospect said that he had an old employe, named Henry, whom he thought would be offended if the register were bought. Getting permission to talk to Henry, the salesman soon convinced him and sold the register.

The salesman must use judgment with his persistence. There are times when it is poor business to keep after a man, when it is good tactics to leave him, going back when circumstances are more favorable. But the salesman starting out must learn that he cannot afford to let go every time he is told that there is no business to be had; it is the natural thing to say, "No," to the salesman, for people whom salesmen interview are usually on the defensive. No is often said when the one who says it has no knowledge of what the salesman is offering. Only by cheerful persistence can the salesman hope to overcome all the numerous excuses and get at the heart of the situation.

Imagination

The dreamer is sometimes spoken of disparagingly, as if the man of imagination were necessarily impractical. True, the man who does nothing but dream, who never acts, is likely to be impractical. But it must be remembered that every new thing once existed only in some one's imagination. Men do not create things without first having ideas, which have been carefully developed until they have acquired the desired shape.

Cyrus W. Field worked out in his imagination a scheme of joining America and England by cable. Now, it may seem strange that a hundred other men did not think of it, but it was a dream until finally, after repeated failures, the great cable line was laid and the dream became a famous reality.

The Wright flying machine, which has created so much interest and contributed so much to science, was a dream in the

brain of the Wright brothers before it became a reality. These brothers were called dreamers until their flying machine demonstrated its success; then they were called geniuses.

The man without imagination is a slow plodder along the ruts that others have cut before him. He is not a creator but a follower. The high-salaried advertising men are those with fine imaginations, men who can, as they write, see in their imagination the people to whom they are appealing and understand what will interest them, what they will want to know, etc.

Imagination grows out of the memory. It is synthetic rather than analytic; that is, instead of picking apart, it takes the facts that memory and observation furnish and from these builds up. It is, in the creative sense, the enlightener.

Application of Imagination to Selling

Emphasizing the great importance of imagination to the salesman, Lorin F. Deland tells of a young man, earning $7 a week in a clothing store, who asked him how he could earn more. Mr. Deland first suggested that the young man use his imagination for a month trying to devise methods of bringing more business to the store. At the end of the month, the young man said that he could think of no plan in which to increase the sales of the store one dollar. He was then advised to spend a month trying to devise some means of reducing the operating expenses. When he failed to do this, also, Mr. Deland advised him to lie low, to attract as little attention to himself as possible. This young man was merely a type of many thousands who seem devoid of creative imagination.

The imagination gets in its work when subjects are allowed to revolve in the mind. Suppose, for example, that a sales canvass is to be worked up for the vacuum bottle. This is a patented bottle with a wall that is a good non-conductor of heat and cold; cold liquids will keep cold in it for 3 days, while hot liquids will keep hot for 2 days. But the mere statement that the vacuum bottle has a non-conducting wall is of little or no value, for only a few people will think out the usefulness of such a bottle. But a bottle that will keep cold drinks cold 3 days and hot drinks hot 2 days is an exceedingly useful thing. In answer to the questions, "In what ways will it be useful? To whom?" the imagination shows what a pleasure it will be to the automobilist to be able to have a refreshing, cool drink when out on dusty roads in hot weather, or how convenient such a bottle will be for carrying hot coffee on hunting trips or sleigh rides. It will also show how the mother can keep milk

warm all night for the baby and yet not have to get up and start a fire.

Imagination without initiative is as helpless as knowledge without courage, and either imagination or initiative without judgment is as useless as enthusiasm is unless it is backed up by earnest effort along definite lines. A real-estate owner put a large tract of land on the market. He called in an artist to prepare advertising copy for the sales campaign. The latter, in making a trip to the tract, found the owner slashing down trees. "Don't," cried the artist, "let me first draw the picture with all its foliage so we can call it 'Bungalow Hill.' Then you can go ahead." In the meantime the owner began putting his salesmen to work and told them to get on the job. One salesman, upon receipt of the artist's print and other literature, went out to look over the tract. Finding the tree-slashing process in full swing, he asked that it be stopped, saying, "if this is to be Bungalow Hill, leave enough trees on each lot to afford shade." He supplied the judgment that was lacking in the imaginative artist and the initiative mind of the owner. The salesman had the true sales instinct, for he saw the value of the trees as a business proposition.

Training the Imagination

As the imagination depends on the memory and on observation, the wider one's knowledge is and the broader the point of view, the more fruitful will be the imagination. Furthermore, experience yields the reasoning power that may be used as a check on the imagination when its creations are so fanciful that they cannot be realized. Therefore, the man who reads, meets people, and gets new experiences gives his imagination more chance to do its work, and at the same time gets a better balance wheel with which to regulate it. The creative salesman must use his imagination. When he has new goods to sell, he must imagine that he is the prospective buyer and must then ask, "Why should I buy these goods?" "Why are they better than other goods of the same class?" "What would interest and convince me?" By thus looking at the goods from the prospective purchaser's point of view, he can get at the right sales argument.

Nature is a wonderful stimulator to the imagination. To get a great uplift, one should occasionally turn to the beauties to be found in the fields, woods, rivers, mountains, etc. They afford a never-ending source for profitable reflection and character strengthening. Mixing with other men in the whirl of

business is also invaluable, for it rubs off the sharp corners and trims and hardens for efficient action.

Enthusiasm

Enthusiasm grows out of knowledge and confidence. The enthusiastic man knows, and is confident that he knows. He finds joy in telling others about his subject. His eyes and his manner convey almost as much of his message as what he puts into words. Love for one's work may be said to be contagious. It seems to be in the air when the enthusiastic man is before his customer, and the customer's mind responds in spite of himself; the calm objections that he may have held in reserve for the salesman's argument sometimes vanish without utterance before the pervading influence of enthusiasm. The purchaser feels that the other man is so full of his subject and so sure of his knowledge that he must be right.

Enthusiasm gives the salesman that slight mental advantage which is so important at the very outset of negotiations. The salesman who, in an indifferent state of mind, approaches a prospect, is likely to lose the sale unless the demand is strong enough to bring the sale through despite the lack of force in the salesman's attitude. "Have you any card-filing cases?" asked a customer in a stationery store. "Indeed we have—a fine assortment," replied the salesman. His first sentence contained only six words, but they stood for sixty. They proved that the stock of cases was one that he was thoroughly familiar with, one that he took pride in showing and that he could show well. He had his sale well started when he had uttered his six-word sentence of enthusiasm.

Enthusiasm not only swells the sales total but makes selling a pleasure. It overrides the obstacles that the unenthusiastic salesman finds formidable and brings him to the close of his day with a feeling that work is a great blessing and the ability to take his evening meal with the assurance that the day has been well spent.

The way to possess enthusiasm is for a salesman to get a full knowledge of himself and the goods he has to sell. A person who is full of zeal and fervor imparts his earnestness to others. An inspired sales manager will often enthuse his men by his attitude and expressions. Therefore, it is a good plan for a salesman to get in touch with ardent people in the same line of work. Such contact is often the making of a man who feels weak and discouraged.

Optimism

The trait that enables men to look on the bright side of things, to hope for and believe in the best, is termed optimism; pessimism is its opposite, the trait which makes men look on the dark side. Optimism is an important trait for the salesman. He cannot expect to make a success of every attempt at a sale, so he not only needs the ability to look on apparent failures philosophically but to regard them as distinct gains in experience, though as far as immediate sales results are concerned, they may be fruitless.

Then, too, optimism is greatly to be desired for its effect on the customer. Every one feels better for contact with a man who has faith in the future, whose face beams with good cheer. The pessimist is depressing; he brings darkness. Most people have enough gloom in their own lives to fight away, and they have no time, in business hours, for the grouch, complainer, or calamity prophet. The customer who may be discouraged over something in his own business is helped by the aggressive, optimistic man who comes in as a ray of sunshine, whose very presence is a tonic.

No matter what tide of pessimism and discouragement may sometimes sweep over a man, he always has enough will power to tell himself that all is not lost, but that all will be well in due time. Often all that is needed in such a case is a little relaxation, a change of scene, a drive, a good laugh, or something else that will rest the mind and permit it to take the normal view of things. Many men have been saved from dangerous pessimism by taking a little vacation or by participating in some game in which they had to exercise their muscles, but gave rest to overworked brain cells.

Courtesy

One of the greatest assets that a salesman can have is courtesy. It is a cheap asset to acquire, for it costs nothing to be polite. A man who walks into a place with his hat on, when custom demands that it should be removed, or who shows himself ignorant or neglectful of the rights and comforts of others, will be put down as a boor. The president of the great Chemical Bank, of New York, says: "If I could speak twenty languages, I would preach courtesy in them all." There are too few genuinely courteous people—so few that they stand out in distinguished relief from the crowd. The genuinely courteous man is not he who boasts of his courtesy or his gentlemanliness

from the housetops, but he who is sincerely considerate of the rights and feelings of others.

A man may be very aggressive and yet show his good breeding by polite manner and speech. Some of the most successful salesmen and solicitors attribute their success partly to their care to be polite and considerate with stenographers, clerks, and even office boys. The polite "I thank you" develops a feeling that will win for the salesman friends and continuous patronage.

Tact

Tact is that quality in a salesman which enables him almost instinctively to adapt his talk and actions so as to be agreeable. It is the ability to understand others and to be broad-minded and generous in considering them and their faults. Tact is a useful and becoming quality in all walks of life, but the salesman, especially, must have it. Some salesmen are naturally tactful just as they are naturally strong or weak, bashful or blustering, as the case may be; it comes with little effort on their part. Others strive for tact and attain it through practice.

To introduce oneself to a prospective buyer and to gain his attention and confidence means that nothing should be done that will tend to place the buyer in an antagonistic attitude; that the salesman must strive to have no mannerisms or anything in dress, speech, or general make-up that is objectionable; that he must grasp a situation or a change therein immediately and be able to modify his tactics as the occasion may require; that he must have himself under control; that he must keep his temper and not be too eager. Once a prospective buyer is offended the possibilities for making a sale are greatly lessened.

A man is tactful who respects the feelings of other people, and a salesman possessing this quality does not talk politics or religion unless he is sure that his views on either of these subjects are agreeable to the person with whom he is conversing. A tactful man does not smoke in the presence of a buyer unless he is sure that doing so will not give offense. He is extremely careful about criticizing competitors. When a salesman enters an office, takes up the goods of a competitor that may be lying around, and starts to point out defects and errors, he may be reflecting on the good judgment of the man he is addressing. Possibly the thing he is condemning was bought from his rival after careful deliberation by the purchaser, and to be abruptly shown that the purchase of it was a mistake, is not pleasing to the customer.

A salesman's tact is put to a most trying test when catering to the egotism of some business men. Flattery is disgusting, and a fine distinction must be drawn between catering to a man's egotism and mere flattery. The knack of doing the former, of giving the egotist due credit for what he is without piling up praise, being deferential without fawning and submerging one's own convictions, will give a man a willing ear and the respect of those with whom he does business.

DEVELOPING SELF-CONTROL

EVERYONE will concede the value of self-control. The question is how to control the natural emotions. It is the easiest, the most natural thing, when insulted to lose one's temper, and to pay the other man back in like manner. The fact is that some men purposely make temper-trying remarks to embarrass salesmen. When the latter yields to the temptation he is falling into the trap and furnishing the other man a good excuse for terminating the interview. There is an old rule about counting ten before speaking, in times when it is difficult to control the feelings. It was founded on a good principle, that of giving reason a chance to control the natural emotions. Modern psychologists advise a man, under trying circumstances, to suggest to himself: "Look out now; here is trouble. Go slow. Don't fall all over yourself and make a mess of it. A little careful handling will do for this fellow." This advice is easier to give than to carry out, but the man who controls himself once has started on the control habit and thereafter finds it easier to hold the reins on himself. Self-control relates not merely to the temper but to every other weakness: loose or profane talking, idling, drinking, immorality, discouragement, etc.

Use of Reason

Man never becomes a perfect master of his emotions. He cannot make himself proof against the natural impulses that ever and anon surge up. He is human and cannot make himself an unfeeling machine. But his wonderful mental make-up does not leave him without the means to check and control the emotions. There are several things that can be done in controlling the emotions:

1. The powers of reason control the muscles and can refuse to let them act. A man, when highly insulted, cannot check the increase in heart beats or the rush of blood to the head that such excitement causes, but anger cannot rise to a high pitch until the jaws are shut down, the hands clenched, or other physical manifestations take place. By using the reason to check these accompaniments of anger, by keeping the hands open and forcing a smile, an effective curb is provided.

2. Reason also has the power to restrain the body from such environment as is likely to excite the emotions. The man

whose weakness is liquor knows well enough that it is easier to avoid drinking places than it is to resist temptation when the smell of intoxicants is under his nose. Reason, too, when one has inadverently been put in an environment likely to work on the emotions, prompts the muscles to act in getting out of the danger zone: "This is a bad situation for you," warns the inner voice, "better get out of it right away before you are caught."

3. Reason has the power to call on the imagination and picture the dark side of the result if dangerous emotions are yielded to, and thus offsets the attractions or force of the emotions. When the temptation to do nothing is strong, the imagination can quickly sketch the result of the idleness and contrast with it the effect that thrift brings. If tempted to debauch, the imagination readily pictures the physical exhaustion, time wasted, loss of self-respect, that debauchery always brings. These, as every man knows, overbalance any fleeting satisfaction that the yielding to temptation has afforded.

As the harmful emotions are held in check, the pictures they create become less and less vivid. If they are not rejected, the pictures become more vivid. It is a law of memory that those things which are not recalled fade away gradually. Therefore, every control weakens the power of the emotions and correspondingly strengthens their guardian. Every man should be ready with his autosuggestions and fight hard for victory over every impulse that tends to rob him of any of the strong, noble manhood that is his heritage.

Ability to Talk

The successful salesman must be able to talk well, but at the same time he should be careful not to say too much. Everything he says should be to some purpose. Mere chattering does not win orders; there should be a real message behind the talk. The man who believes in his work and primes himself with an enthusiastic knowledge of it is not likely to have serious difficulty in talking interestingly and convincingly. But he can always talk more smoothly and to the point when he has gone over the ground beforehand.

A good talker has a greater stock in trade than knowledge of his goods. To grow up to his full measure of manhood and to command the esteem of men, he must keep himself well informed by the reading of a selected list of good newspapers, magazines, and books. He is a poor salesman who, selling steam shovels, does not keep posted on the biggest news of the engineer-

ing world, who will look blank when some one speaks of certain notable features of the Panama canal or of a celebrated subway work under progress. One solicitor for an engineering magazine regularly obtains from the editors of his publication information on the developments and opportunities in certain lines before making his calls. As he reads a certain amount of industrial news constantly, so as to be on common ground with the technical men he meets, he is able to command their confidence. The cash-register and the adding-machine salesman must be fairly well informed on modern business systems. The food salesman and the druggist must know the late developments in food and drug markets and legislation.

Interest in Person Addressed

Naturally, the salesman's primary object is to be able to talk well on his own subject, and yet no man ever became a good talker without training himself to talk on subjects that are of benefit to others and to take an interest in other men's affairs. Good conversation can never be a one-sided affair, and confidence is gained by a proper consideration of the other man taking part in the interchange of thoughts and opinions. A good talker aims to find what interests the other man and to draw him out. Many salesmen can credit a big order to their ability to discover a man's hobby and to talk with him about it; this interest must, however, be genuine. The man who is absolutely without concern in his customer's affairs, who pretends to be interested only in order to secure attention for himself will always be discovered. The salesman cannot be the greatest success as long as he is selfish in his thinking and talking. While it is necessary for him to specialize and concentrate, he should remember that he must play the part of a true man interested in his fellows if he is to win.

Ability to Listen Well

The ability to talk well includes the quality of being a good listener. There are more good talkers than good listeners. The salesman should give close attention to what the other man has to say. This will not only be taken as a compliment, but will really give the salesman a chance to direct his own reply properly. It is easy enough to tell when a man is listening keenly and courteously and when he is merely pretending to pay attention. When a prospect is given a fair chance to express himself, he will likely give some hint as to the proper argument for the salesman to use. Every salesman knows how he feels when another man

rudely interrupts and shows that he gives little consideration to what others say. Let him, therefore, carefully guard against such disregard of another's feelings and remember that two people are required for a conversation or an agreement. The man who is selfish in his talking must curb that tendency before he can become a good conversationalist.

Use of Good English

Good, strong, expressive English should always be used; gross exaggerations, profanity, obscene stories, and other vulgar talk should be avoided. If a solicitor says "them things" for "those things," "hain't" for "is not," "ain't worth nothing" for "is not worth anything," some with whom he talks will not be favorably impressed. There is a great deal of nonsense about the needlessness of using good English. It is true that in some instances a man may make grammatical blunders without hurting himself, but it is certain that he is never helped by them and that in some lines of work errors of speech are a real hindrance. Every salesman should make a constant effort to improve his vocabulary. A little review will enable any one to weed out the common errors and thus make himself more at ease when talking to educated people. Good reading does much toward improving one's store of language and teaching the correct use of words. Association with good talkers also helps. The dictionary should be freely used in looking up the meaning and pronunciation of words.

Value of a Pleasing Voice

It is obvious that one who is to do his work by the use of his voice has a distinct advantage if he has a pleasant, clear voice. It is not necessary to attend a school of elocution, but every salesman should give attention to cultivating a pleasant voice. Men differ greatly in their voices. One man will be so loud or raspy in his conversation that he will be irritating to many with whom he comes in contact. At the other extreme is the man who talks so low or who mumbles so that it is difficult to understand him. Then there are those who talk too rapidly or too slowly for the best effect.

Some are naturally gifted with voices of unusual clearness and melody. The pleasing tone of the voices of many actors, actresses, and public speakers is the subject of constant comment, and it is no small factor of their popularity. While it may not be possible for every person to develop a voice of unusual attractiveness, any one, with care, can overcome decided faults.

Honesty and Sincerity

Honesty and sincerity are, of course, included in a strong character. The insincere man usually betrays himself. No matter how much he may protest his interest and good-will, if sincerity is lacking, the shrewd observer is aware of the fact. The sincere solicitor takes a real interest in persons with whom he deals by remembering his customers and sending items of information that he thinks may be of value, and by serving them in every way possible.

The dishonest man often flourishes for a time. Sometimes it seems to the honest man who has to compete with fraudulent people that the adage "Honesty is the best policy" cannot be right. But in the end the dishonest man invariably comes to grief. The honest man's force is cumulative. Sooner or later his square dealings build up something that no one can take away. The great merchant princes have shown beyond a doubt that it is not only better ethics but better business to deal squarely with customers. As yet the world is far from being perfect; but a comparison of the merchandising of the present with that of fifty years ago shows great advance toward honest dealings.

Mentality the Big Factor in Salesmanship

Good physical condition and good appearance, while essential to the most successful salesmanship, are of secondary importance to mentality. A man whose physical appearance is against him may overcome that deficiency to a great degree if his mental make-up is attractive; he is immeasurably better off than the man of good physical appearance who lacks the essential mental qualities. As a sales manager of national fame has said, men are much alike physically; dress them well and there is no great difference. Yet, while two men of about the same physical make-up and appearance may receive the same information about an article of merchandise, one may go out and sell ten times as much as the other. The difference in sales may be accounted for by the difference in the mental make-up and force of the two men.

Salesmanship is a battle of wits and the chief weapon is the mind. If a present-day salesman would prepare himself for the severest tests, he must sharpen his wits by developing his mental ability. The prize fighter and the wood chopper, whose tasks call for more physical strength than mind power, can get along with ordinary mental development. The salesman must strive to develop his reasoning and reflective qualities to the utmost,

for, as has been truly said, every sale is made first in the mind of the buyer, and success comes only to the salesman who has the power to master the minds of others.

Habit

Benjamin Franklin, inventor, statesman, writer, publisher, and economist, relates in his autobiography that at one time early in his life he decided to make a definite venture at arriving at moral perfection. He made a list of thirteen virtues, allotting a page to each. Under each virtue he wrote a precept that gave it fuller meaning. Then he practiced each one for a certain length of time. He ruled the pages into spaces and checked off each day by a black spot some particular fault that he had not overcome to his satisfaction. He says that he carried out this personal examination for years. In order to do the work thoroughly he decided to attempt each virtue in the order of its importance—one at a time. He began with temperance, which included the moderating of every pleasure or inclination to develop undesirable habits, because temperance "tends to procure that coolness and clearness of head that is so necessary where constant vigilance is to be kept up and guard maintained against the unremitting attraction of ancient habits and the force of perpetual temptations."

The other virtues practiced in succession by Franklin were silence, order, resolution, frugality, industry, sincerity, justice, moderation, cleanliness, tranquility, chastity, humility. For the precept *order* he followed a little scheme of employing his time each day. From five to seven each morning he spent in bodily personal attention, saying a short prayer, thinking over the day's business and resolutions, studying, and breakfasting. From eight till twelve he worked at his trade. From twelve to one he read or looked over his accounts and dined. From two to five he worked at his trade. The rest of the evening until ten he spent in music, or diversion of some sort. This time was used also to put things in their places, and the last thing before retiring was the examination of the day. At the age of seventy-nine, he ascribed his health to temperance; the acquisition of his fortune to industry and frugality; the confidence of his country to sincerity and justice.

Influence of Habit

A thing becomes easier the oftener it is done, until it is second nature and is performed without the slightest conscious effort. People walk, talk, and work, with no effort of will.

Habit makes one go through certain motions automatically; habit enables a person to take shorthand notes with great speed. When the brain responds to some impulse, or thinks, the nervous current establishes the connection between the cells and the fibers are extended. A change takes place in the nerve cells each time we think. Just as a stream cuts and files its way down through the rocks, just so does a habit tend to make a path in the plastic brain; and the longer the habit is continued, the deeper becomes the path.

When a habit is formed, to do the thing is easier than to omit doing it; otherwise practice would not make perfect. Habit very early becomes a part of a man's life. All through life it guides him; in fact, it may be truthfully said that man is a bundle of habits. Carlyle has truly said: "Habit is the deepest law of human nature. It is our supreme strength, if also, in certain circumstances, our miserablest weakness."

Oliver Wendell Holmes used to say: "Habit is a labor-saving invention that enables a man to get along with less fuel." Habit is one of the greatest blessings a man can have, for it enables him to perform a great deal of his daily labors without conscious attention, leaving his mind free for the things that demand voluntary attention. The best thing about habit is that a man may cultivate good habits, such as the study habit, the happiness habit, the habit of thoroughness, etc., until these things become part of his character; then to be studious, energetic, happy, thorough, etc., is easier than to be indolent, pessimistic, or lax, and one's work is done with a speed and results that astonish other men. More fortunate still, when the life is well filled with useful habits and the energies are turned into good channels there is little room for evil habits and less temptation to acquire them.

Importance of Useful Mental Habits

Correct physical habits such as correct carriage, correct speech, and good manners are acquired in early youth. Mental habits are formed ordinarily in the period between twenty and thirty. If the physical habits are right, all the energy can be directed toward the right mental habits. A very important point in education is that our mental habits should lead to greater effectiveness with less effort.

One of the first habits to fix is that of self-effort. If the memory is to be improved, a consistent plan must be followed every day of the week. The will power must be exercised to carry out this determination to make the effort. If a person is

unimaginative, this defect can be overcome by a course of reading and lectures.

If a person's powers of observation are poor, he must conscientiously keep his eyes open. He must plan definitely to make a series of observations each day. So long as a good habit of observation is started, the kind of observation is at first immaterial. The person should become interested in some phase of science, business, or philosophy. The more he observes, the more facts he acquires; and the larger the volume of facts, the greater will become the observing powers.

Memory

Memory is based on association, and is strong in direct ratio to the number of associative links in the brain. No object is ever considered as disassociated from all other objects. The more a man thinks about certain things, the more they become associated with other things. A chemist develops a memory for chemical terms; a biologist for biological terms. A salesman should develop a memory not only for the details of his business and things that are allied, but also for his customers' faces, names, etc. Men remember best the kind of things they think most about.

Memory presupposes not only that a fact must be retained in the mind, but also that the fact is liable to recall. Memory has to do fundamentally with the law of habit. A person with a good memory has many and deep paths in his brain. The man who often thinks over certain things and links them into some sort of relationship, has a good memory. The depth of the brain paths may be said to be a sort of physiological condition, while the number is a matter of association.

Improvement of Memory

There are three ways to improve the memory. The first and easiest perhaps is mechanical repetition; by saying a thing over and over, it will become fixed. The second, or ideal, way to improve the memory has as its basis an understanding of the subject matter. It means selecting, classifying, analyzing, and tabulating facts. A third way to memorize is by means of various memory systems. They were invented to make easier the retention of disconnected lists, numbers, etc. The list is remembered in connection with some analogy. Numbers are remembered by the help of a figure alphabet; the number is then translated into such letters as will best make a word. The latter is remembered when the number may be forgotten. How-

ever, any artificial system is apt to be confusing and generally makes the real facts more difficult to remember. The cure is worse than the disease.

The best method is to place a fact in its proper class, explain it, or ascertain what fundamental law is at the basis. The memory will thus be relieved of unnecessary detail. If one knows the law or fundamental principle, one need not recall all the details, because the law itself will produce them when needed.

Another way to relieve the memory of detail is to use a memorandum book. The memory can then be saved for more important things. To remember a reasonable amount is better than to cram the mind with a mass of stuff that cannot be retained. The mind, if filled with rubbish, will have no room for more valuable material. Some things must be forgotten and it is just as well to forget those that are not essential. How well things are remembered depends on how vivid the picture was, the number of associations made when it was first impressed on the memory, and how often the picture has been revived. The more associations, the greater is the chance of recall. Thus, if one is hurriedly introduced to a man, with time only for a hasty glance at his face, that man will not be recalled as easily as if opportunity had been given to learn his business, his position, and his character. Associations should be as numerous and close as possible.

Principles of Memorizing

Effort in memory training may be economized and a useless waste of energy prevented. The following summary may prove helpful:

1. To commit a thing verbatim, even if it is a rule, is not always necessary. Although a certain amount of this must be done, it should not be relied upon exclusively. To remember the essential facts and their interpretation is of greater importance than a word-for-word statement.

2. A certain amount of mechanical drill is necessary in memorizing. A lesson must be gone over repeatedly until it is recalled easily. Data of importance that must be on the tip of the tongue must be repeated at intervals until they come almost automatically to mind when needed.

3. The memorizing of a certain thing is best distributed over a number of attempts on succeeding days. The drill should be extended over a long rather than a short period of time. In this way it will be more thoroughly retained.

4. All possible helps should be utilized. The student may

repeat his data to himself, may repeat them aloud, may discuss them with others, and may commit them to writing.

5. Outlines of the main facts should be made and a certain thing selected to be retained in outline form; the details, too, should be united.

6. To retain a thing for a long period, it is necessary, first, to concentrate on it thoroughly and recall it often until it is permanently fixed in the memory.

Importance of a Good Memory

The man who expects to make a great success in selling must begin at once to form associations with every fact that he needs to retain. He must think about these facts as much as possible. The man who thinks oftenest about his accumulated data and who connects them in a related whole, has the best memory. This process is called *cultivating* a good memory.

A salesman needs to think not only about the details of his business, but also of the people with whom he deals. The man has much in his favor who, a year after meeting a prospective customer, can walk up to him and call him by name, for most men take it as a compliment to be remembered by others. On the other hand, a salesman is greatly embarrassed when he must acknowledge to a man that he cannot recall his name. The customer will be pleased and the salesman will have a distinct advantage if he can recall incidents, conversation, letters, or anything that indicates that he has kept the customer in mind since they last met. In his canvasses, too, a salesman should be thoroughly conversant with all the points that he can use to advantage. It handicaps a salesman greatly to have to admit that he cannot recall certain facts or certain people except in a hazy, general way.

A certain salesman, who is said to know more persons by name than any other man in the country, states that he owes his remarkable memory to the fact that he made a special study of names. "Ever since I went on the road thirty-five years ago," he said, "I've had the habit of making a written record of people whom I wish to remember. Every night just before I go to sleep I review the names of the persons I've met during the day. By this method I fix them firmly in my mind. It has been a great aid in my business."

Will

In a broad sense, will includes all the various actions and mental operations, such as concentration, reflection, desire or

deliberation, and resolve. For example, two distinct thoughts may be present in the mind simultaneously. One thought would make a man strike down the man opposite him in rage, if it were alone in his mind. The other, were it alone in his mind, would make him stand perfectly still and apparently unmoved. The two conflicting ideas occur at the same moment. What will be the outcome? First the man hesitates and next he deliberates. The result is that the former violent idea is *inhibited,* or checked, by the second passive idea. The idea of fear will inhibit the idea of a base act; a higher emotional thought will quench a lower one. A man's conduct is the result of his impulses and inhibitions. In a sense there are two kinds of will: in one, impulses predominate; in the other, inhibitions. The highest type of character must possess both. Will depends both on the kind of ideas in the mind and on the coupling of the various ideas with an act of some sort or with a lack of action. The moral effort consists in holding fast to the idea. It is the effort of holding fast to an idea that otherwise would be driven from the mind by other tendencies that are present there.

Will is sometimes spoken of rather graphically as *backbone;* it is harder to define than other qualities of the mind. If it is defined as the power that controls, the evil motives that sometimes rule actions are included in the term and evil motives will sometimes be the will. The will almost defies analysis; it is the expression of the entire character in action. In early life will is entirely the impulses that arise from the instincts. Training and habits of thinking and acting develop other powers that act as checks on mere impulse, or that refine impulse. Man expresses very few of his ideas in action. Ideas and impulses force themselves into the light of his mind, as it were, almost without number. Many of them are discarded immediately, often with no apparent consciousness, as the habits of thought are so well developed. At other times the decision as to whether or not an idea shall be acted upon comes slowly and with conscious debates or struggle.

Dr. Nathan Oppenheim's definition of will seems a generally satisfactory one. "The conscious choosing of an idea or course of action out of a number of possible ideas or courses; and after the choosing has been done a steady adherence to the thing preferred."

Training of Will

As the will must take account of the emotions, there can be no such thing as training the will as if it were a separate organ,

an arm, or a leg. Education of the will means education of the impulses; the better motives cannot perform their part effectively if the evil impulses are allowed free exercise. Therefore, all true education, all correct thinking, may be called will training. Every decision well thought out, made resolutely, and adhered to firmly, trains the will for better work. Likewise, careless, hasty thinking, the habit of acting solely on impulse, of vacillating from one judgment to another before being convinced of error, of having few self-formed opinions and indulging the habit of relying largely on others, tends to retard the development of will power.

A man can develop his will power by constantly doing what he believes to be the right and proper thing, even in very small matters, and by steadfastly refusing to make compromises when such compromises are clearly wrong. Most men's characters are affected infinitely more by the little things than by the great things. Through obstinancy or neglect, their wills fail to act on little duties that the inner voice whispers should be faced cheerfully. And these things are not always the ones that the world sees. The building up of the character is determined largely by the decisions within oneself on matters that others may know nothing of—decisions that are made, not for other men's praise or favor, but because they seem right.

The counsel of other men is often of great value, and the written thoughts of good thinkers afford valuable mental guidance; but the best discipline, after all these aids, comes in the conference within one's mind when, after full reasoning, a man says to himself: "This course is clearly right. It is what I should do and I am man enough to do it."

For instance, a salesman who is naturally unstable and who holds to a set purpose with difficulty, must meet a situation where a steadfast, unvarying course is absolutely essential. He must make one particular sale to effect five or six others. He has difficulty in meeting his first man and his impulse is to give him up. When the same difficulty occurs on the second attempt, he decides that he will not trouble with this particular case any longer. His will is not strong enough to inhibit the idea of failure. Now, the thing for this man to do is to deliberate on the case in point, think of a successful meeting and the subsequent sales that he can effect thereby—thus inhibiting the failure idea—and act upon the former thought. Action may not be easy; in fact, it may be a real battle; but by insistently holding before him the idea of success, the salesman will accomplish his purpose. Thus, he will be saved by the force of an idea, by giving it attention, and by

acting upon it definitely. The acts of voluntary attention are of critical importance; they decide the destinies of men. Therefore a person should exercise voluntary attention often. It is one of the great points in self-development.

Although the will is the controlling factor, it cannot be educated separately from the other factors of the mind. Will is attention plus effort. It is effort that develops and enriches life. Habit forming, after all, is really training the will, and the will is the character builder. Character is the end of discipline and self-control.

As Doctor Oppenheim expresses it: "These are the great central forces of your mental life: attention, habit, reason, will. Everything else spreads out from them as spokes spread out from the hub of a wheel. If you use them as they should be used, you cannot fail in life."

STUDY OF THE CUSTOMER

Importance of Knowledge of Human Nature

SUCCESSFUL selling requires the salesman to have not only a knowledge of the things he expects to sell, but the ability to deal with the people to whom he desires to sell. It is a great advantage for a salesman to be well acquainted with all his prospective customers. Knowing their weaknesses, strong points, and peculiarities, he is able to sell in the most skilful manner. But very few salesmen can know all their customers well, and even they do not have this knowledge at the outset. It is the selling to a stranger, or to one who is almost a stranger, that puts the salesman to the test. Therefore, to understand people, the salesman must study types of classes. Knowing himself he knows one type and understands the general way in which the mind of that type works in considering the purchase of commodities; but he must not imagine that others are always attracted and interested in the same manner.

Race, temperament, age, occupation, education, sex, and other factors have their influence on the minds of people. It is true that human nature is much alike everywhere, yet there is enough difference to make it necessary for the salesman to study the individual prospect closely. One has only to watch, for example, the different ways in which men and women buy hats in order to see the broad difference that the salesman must take into account. And yet occasionally one finds a man who shops much the same way that women do, so that no strict lines can be drawn in putting people into classes.

Study of Faces

Those who have given considerable attention to the study of the human head, or phrenology, seem able to tell about characteristics by the shape and measurements of the head itself. Phrenology is not, however, a fruitful subject of study for salesmen, as they lack the time needed to make a thorough study of this subject. In the quick action required for salesmanship, there is not time for the salesman leisurely to make a measurement and study of the prospect's head. He may have a few minutes to study the face, and he may, possibly, hear the prospect say a few words; from this little material he must form his estimate of the man with whom he is to deal.

Nature has given man a certain perceptive sense. The child, even before it can talk, seems able to tell, from people's faces, whether or not they like children. When a man enters a barber shop and three or four barbers go to their chairs, he takes a swift glance at them. One face makes a better impression than another and the customer walks to that barber's chair. He may not be able to say what kind of head the barber he selected has, nor tell the color of his eyes; he only knows that he has the general impression that the barber is a careful man.

The eye undoubtedly takes some account of the heavy jaw, the lowering eyebrow, the shifting eye, the hooked nose, or some other pronounced feature, and these things convey quick hints to the salesman's brain; but there seems to be merely a general estimate just as if the face were caught by a camera. Much of the first impression depends on the voice. The gruff, the sharp or nervous, and the pleasant, deliberate voice convey messages to the mind of the discerning salesman and enable him to measure swiftly his prospect. It is impossible for a salesman to understand how to proceed with certain people until he has had opportunity to hear them speak and discuss matters.

Principal Types of People

While broad classifications of people can be made, human nature is too complex to be classified in detail. If all people could be placed in a few classes, there would be no such thing as the individuality that makes hundreds of thousands of people distinctive, though there are many traits that are common to all. Understanding the common traits, however, should enable the salesman to make a quick, close study of the prospect before him. The man who trains himself to study human beings keenly need not bother about trying to group them into classes. Broadly speaking, however, in dealing with buyers, the salesman will find when he gets before the prospect that the man will be one of three general types of man, which may be referred to as *phlegmatic, nervous* or *energetic,* and *sanguine.*

The Phlegmatic Man

Of the three general types the easiest to recognize is the phlegmatic man. There is a suggestion of deliberation and heaviness about him. He is likely to be heavy-featured and heavy-eyed, even though he does not happen to be heavy-bodied or thick of neck. His deliberation is carried into his manner, his movements, and even into his speech. He is not much of a talker, but often an excellent listener. It is difficult to tell, by observing

him, what impression is being made. In fact, things do not impress him unless they are presented slowly enough for him to grasp. He thinks slowly; and having little imagination or intuition, he supplies out of his own faculties little of the detail of the proposition under consideration.

In dealing with this type of buyer, it is best to lead up to things deliberately and to pass over nothing in the way of important detail. Fortunately for the salesman, the phlegmatic man is firm in his decisions. Once he has fully grasped the idea, he decides the point and it stays decided unless the decision is modified by a further explanation. This type of buyer is seldom convinced by general argument; a detailed presentation of facts must be used to impress him.

The Nervous or Energetic Man

The extreme opposite of the phlegmatic man is the nervous man. This man is often recognized by his slender physique, though it would be a mistake to assume that this type of man is invariably slender; his thin, perhaps white, face; and his mercurial, shifty, uncertain, often abrupt, manner. He thinks in flashes. Often before the salesman has delivered ten words of his selling talk, this type of prospect thinks that he has grasped the whole idea and is perhaps demanding to know the price and terms. He is impatient to get through the interview so that he can go back to work. He is as apt to miss the point of a proposition as his brother, the phlegmatic man, because of his habit of jumping at conclusions. He also has a bad habit of thinking of something else while the salesman talks, or of allowing what the salesman is saying to suggest something entirely foreign to the subject. The salesman must have enough concentration and patience for two when handling this type of buyer. His concentration should also take the form of condensation. Lengthy explanations do not appeal to this man. A mere outline is all that he will listen to; he will intuitively supply details. The nervous type of man particularly admires cleverness in other people and is pleased with little efforts made to save his patience and spare his time and nerves.

The Sanguine Man

The happy mean between the phlegmatic and nervous types is the sanguine man. He is a genial, confident person, with plenty of vitality and alert imagination. Physically, he is not easy to describe, for his characteristics are more in manner than in looks. He is easy to interest, but sales are not easily made

to him. He likes to be visited and entertained, if he takes a fancy to the salesman; but many sales are lost with him by over-visiting. He has a trick of suddenly remembering that he has an engagement and bolting away before the salesman has a chance to close. An experienced salesman always gets down to business early with this type of buyer and leaves the entertainment, or chat, until after the sale has been completed, or until the way is paved for a subsequent interview.

Such a buyer is likely to have a cynical vein that makes him hard to convince; but he is greatly moved by earnestness and the salesman's unshakable belief in the merits of his goods. He does not appreciate cleverness, and it is risky to attempt to "jolly" or flatter him. A frank, straightforward presentation does more with him than any display of knowledge or tricks of salesmanship. He likes to do business with his friends, and often bestows his patronage as a favor to those who succeed in winning his confidence. Being the middle type, the sanguine man is often a baffling mixture, requiring a careful individual analysis to understand him thoroughly. It has been said that to this type belong some of the easiest, as well as the most difficult, buyers in business.

Suggestions for Study of Types

A good way to multiply one's knowledge of types of people in general, is to identify each prospect with some one that the salesman knows. For example, he may say to himself: "That man reminds me of my neighbor, Mr. Blank. If I were going to sell to Mr. Blank, I would go at him this way." It will be found that almost every one with whom the salesman is thrown into contact has some qualities much like people with whose dispositions he is more or less familiar.

Mental Characteristics Applied to In Selling

It is not necessary for one preparing for selling work to make an extensive study of psychology, but in studying types of prospects, in addition to what has already been considered, it should be recognized that there are some common mental characteristics or tendencies that come into play in the making of sales.

Curiosity.—All persons have some curiosity, but some more than others. The vender selling a novelty on the street so plans his talk as to appeal to curiosity. There is always a little mystery about his demonstration that induces people to stay around and see what he has to offer. A salesman who had regularly

solicited hotel proprietors found that when he used a business card his prospect was inclined to jump at conclusions, and would not allow the salesman to canvass him, but when he used a personal card, or no card at all, he found that many prospects would take the trouble to inquire into his errand. It is rarely well for the salesman to tell the entire story at once; it is better simply to use some point that arouses curiosity.

A salesman of a certain large food supply house told his manager that he could not sell a certain specialty, a midget pickle, because it was of too high a class for his list of grocers. The manager, therefore, had the salesman promise that for the following week he would carry a bottle of the pickles in his pocket and while talking with the grocer take the bottle from his pocket and place it on the counter without saying a word about it until the grocer asked questions. The salesman followed instructions. In every case the grocer would pick up the bottle and ask, "What's this?" When the salesman replied, "Our midget pickle," he would get another question, "What price?" This opening gave the salesman opportunity to present the merits of the article.

A house-to-house salesman of material for women's suits introduces himself with, "I'd like to show you the goods that I have been selling in this neighborhood. Would you like to see what your friend Mrs. H. bought?" and usually the prospect's curiosity overcomes the natural tendency to say "No" to the salesman.

Value of Compliments.—A little praise is sometimes a distinct aid, but flattery must be used with great care. However, the compliment that is earned may be used freely. To a prospect who had heard two pianos played and who remarked that one had a softer tone than the other, the salesman said: "You have a good ear; this instrument has a little softer tone than the other." The average man who is really proficient in some line of work can hardly help being pleased when the salesman refers to him as being an expert. A clothing salesman never failed to remark, when circumstances warranted it, on the good shoulders and muscles of the man to whom he was selling a suit of clothes. Compliments passed on children appeal strongly to the pride of the mother and can scarcely fail to have a good effect.

Occasionally the salesman meets a man who has a high opinion of himself and who must be made to feel that the salesman's house is particularly interested in him. A retailer of this type refused to buy goods from a certain large manufacturer until a special salesman called and allowed the retailer to believe that

the house was so anxious for his patronage as to make a special effort to get into business relations with him.

Inclination to Imitate.—Man is naturally an imitator. Youngsters begin early imitating their parents and others with whom they come into contact. The trait is not so observable among grown persons, but it exists nevertheless. The basic idea of style is imitation. "This is what every one will wear this fall," say the fashion papers and the retail salesmen, and the prospective purchasers want that thing largely because others will wear it. This is not saying that all are blind followers of fashion and imitate without reason, but few persons care to select their purchases with entire independence of what others are doing. The influence is often unconscious. When the adding-machine salesman states that several thousand banks have bought his machine, he is appealing to the tendency to imitate or follow. He may go further and show that several leading banks in the immediate community have purchased. The prospect may protest that these facts mean nothing to him, but they have their influence nevertheless.

It is said that a restaurant keeper once gave a man his meals for going in and loudly calling for the dishes that the restaurant keeper most wanted to sell that day. When this man called out "small steak smothered in onions" or "broiled bluefish," the remark had a high suggestive value. Most of those who heard it were hungry, and as people often dislike having to choose among dishes and really prefer a made-up dinner, the preference expressed by the loud-voiced man fell on willing ears.

Acquisitiveness.—Mankind, as a rule, possesses acquisitiveness, the desire to possess things. One of the earliest things that the infant learns to do is to reach out for what attracts him. Training enables man to resist this tendency, when reason tells him that it is better for him not to acquire certain things, but the trait remains and is one to which the salesman can successfully appeal. People often purchase goods they could get along without, but when the goods are seen and handled the acquisitive instinct is strong enough to override reason. The salesman appeals to acquisitiveness when he puts an article into the prospect's hands. Actually handling the article stimulates the desire to own it; hence it is expedient to encourage the prospect to take hold of the article and if it is something to be operated, to operate it.

A small boy passing through a store with his father asked a question about a baseball catcher's glove. The salesman first tried the glove on his own hand and pounded it with the other,

as if receiving a ball, and then appealed to the boy's acquisitiveness, and to the father's paternal instinct, by putting the glove on the boy's hand and tossing him a ball to show him how well the glove would hold a ball.

Parental Instinct.—Parents can be appealed to successfully through their regard for their children. The mother likes to see her child as pretty, well dressed, and well cared for as other children; it is natural for the father to want his son to enjoy the things that other boys enjoy. A salesman for a drawing school went into a house where a boy sixteen years old was interested in drawing. He complimented the boy; then by telling what other boys had done by devoting spare hours to study and picturing a career of usefulness for the boy before him, he made a successful appeal to the parental feeling and closed an enrolment. Salesmen in retail stores should know the value of putting such goods as clothing on the child, or of putting the toy into his hand, so as to make the most powerful appeal to the parent.

Respect for Truth and Honesty.—Whether a man is himself strictly truthful or honest, down deep in his heart there is always a respect for truth and honesty. Therefore, even sometimes when the strict truth may not seem to be particularly advisable, the salesman earns respect and confidence by being truthful. "Will these goods wash well?" asked a customer in a retail store. "None of this class of goods washes perfectly," replied the salesman, "but we have found by thorough trial that when washed carefully, the color fades but very little." An answer of this kind wins respect and confidence and in the long run is more profitable to the store than evasions and falsehoods.

Regard for Appearance.—Nearly all persons have some regard for their appearance, and this regard can be appealed to by the salesman of goods that are to be worn or used on the person. Many persons have so much regard for attractive personal appearance that they are vain; such persons are likely to be extravagant in making purchases that have to do with appearance. Taken as a class, women are more susceptible to suggestions and appeals about personal appearance than men.

Self-Gratification.—Not all persons are noticeably vain or desirous of approbation, but an appeal may be made to self-gratification in any case. Every man and woman has a sense of pride or pleasure in owning things for personal or home use that give satisfaction, whether it is a good pocket knife, a cream separator, or a piano. The skilful piano salesman says: "It is a great satisfaction to come home, after a day's work, and have some cheering music in your home. You know how it is when you pass

other people's homes where there is a good piano." He thus makes an appeal both to self-gratification and to the spirit of emulation.

Approbativeness.—Closely related to the common trait of vanity about one's appearance is the love of approbation, the desire for commendation or praise of any kind. A man may not be vain about his own appearance, and yet may be moved to purchase something partly because of the praise his wife will give him. Many acts are performed because of the love of praise or approval of others, and it is entirely proper that the salesman should appeal to this trait. If a man does not take out insurance from a sense of duty, the salesman does well to appeal to approbativeness.

Motive in Making Purchase.—The prospect who voluntarily seeks a store or a salesman with a view to purchasing has a motive that the salesman should ascertain as soon as possible, for once the motive is understood the salesman may concentrate his argument. Thus, a man may be considering the purchase of an automobile for the sake of giving an invalid mother pleasure. Not knowing this, the salesman may miss the mark by talking about the convenience of the machine in making trips to the office. A tactful question as to whether the machine is bought mainly for utility or pleasure will usually give the salesman the proper lead, and he may appeal to the man's love for his mother by talking about what pleasure the rides would give her and how much enjoyment would be derived from the purchase of the car.

Application of Suggestion

Suggestion is defined as: "The imparting or exciting of a notion or an idea in an indirect or unobtrusive way, the spontaneous calling up of an idea in the mind by a connected idea." The application of suggestion to the salesman's mind has been considered in an earlier part of this discussion; equally important is the use of suggestion to influence the mind of another. Suggestion is distinguished by the fact that the idea in the prospect's mind is developed in an indirect or unobtrusive way by the calling up of some other connected idea. When reasoning without the aid of suggestion, he who hopes to convince some other man submits a complete array of fact and argument. The conclusions are usually worked out and offered ready-made to the man the reasoner is trying to convince. When using suggestion, however, no effort is made to work up the conclusion or to force it on the prospect. As the definition of suggestion makes clear, the thought is merely started in the prospect's mind and allowed to

work itself along to the desired conclusion. For example, one card in a store reads: "Regular 60-cent chocolates, now 45 cents. Buy a box for your wife. She will like them. Do it now." The argument on this card is fairly complete. Another card reads: "A box of these 45-cent chocolates (formerly 60 cents) will delight your wife." This card does not directly urge the reader to buy; it merely describes the quality and then suggests that a box would delight the wife. If the reader of the card is a man who takes pleasure in doing little things to please his wife, this mere suggestion will cause him to think out the conclusion that he ought to buy.

Value of Suggestion

The value of suggestion lies in the fact that most people are inclined to resist open persuasion. They may know that certain arguments are sound and that certain conclusions are correct; yet they are more likely to be willing to decide and act if they work out the conclusions in their own minds. When they work out their own conclusions, they feel that the decision is their own, arrived at by their own methods of reasoning. Another point of value in connection with suggestion is that considerable time is required to outline, in detail, all the favorable arguments; therefore, if suggestions can be made that will connect with the prospect's experiences and sentiments and start a train of thought in the right direction, time will be saved.

Appealing to the Emotions

Many appeals in salesmanship and advertising fail to be effective because they do not touch the emotions. It is not enough to show that men ought to act; they must be made to feel that they want to act. Prof. Walter Dill Scott, in his work on "Influencing Men in Business," says: "We are late in reaching the pew, but early at the bleachers. We put off writing to cousins and aunts, but the fianceé is answered by return mail. The dictates of reasons may be resisted, but not the promptings of sentiment and emotions."

The truth of this is realized by any one who looks into his own experiences. And the lesson for the salesman is that unless the prospect is of the cool, reasoning type, the sale is likely to be closed more quickly by a strong suggestive appeal to some sentiment or need than by a long array of proofs. The life-insurance man, for example, does not always have to prove his case at every point; the appeal to the prospect to provide for his family may be powerful enough to induce immediate action. Some per-

sons are more open to suggestion than others. When the salesman sees that the prospect is inclined to resist subtle appeals to imagination and to come to a decision from cool, careful reasoning, he should not depend on suggestion alone but should prove his proposition if possible.

Examples of Sales Induced by Suggestion

When the salesman in the retail store says, "These are selling very fast, and I don't believe we shall have one left tomorrow," he does not directly urge immediate purchase but knows that the remark will arouse in the prospect's mind the idea that unless the purchase is made at once the goods in question will no longer be available.

When the life insurance man speaks of how considerate Mr. S. was to leave his family so well provided for, his object is to make the prospect think of his duty to his family. With some men the insurance solicitor must not only make his conclusion clear but force it on the prospect, but with the type of man who reasons out things for himself and opposes forcing tactics, the suggestion method is to be preferred.

A writer in the Hardware Dealers' Magazine gives this interesting account of how a salesman in a men's furnishing store used suggestion in selling a cravat:

"With imperceptible art he suddenly rivets your attention to some article. 'Have you seen that new Viennese Blue?' he says, and a beautiful cravat is twining about his fingers. Viennese Blue? The cravat is instantly invested with a charm and an atmosphere.

"'You know silk,' he says, 'just slip your fingers along that scarf.' I don't know silk, but I am convinced that I am inspecting the real goods.

"'One thing these English have on us, they certainly can give a distinction to a cravat that can't be imitated in a cheap tie.' The foreign label flashes out for an instant.

"'Do you know,' he suggests, with the air of making a discovery, 'I believe blue is just the color you need. A man doing mental work altogether is apt to get a bit pale, and blue is one shade that doesn't accentuate a lack of color.' Now comes his spurt under the wire: 'It is a funny thing to me that more men can't realize, as I know you do, that a cravat is the keynote to your whole rig. You put on a 50-cent tie and I don't care if your suit cost $60, you travel in the 50-cent class. On the other hand, when any one sees this tie on you that settles it. They don't look any further. You're O. K. How much? Oh, pardon me; $2, please.' And the funny part of it is I am proud to pay it—would almost have been sorry if the cravat had turned out to be an ordinary $1 affair."

Sales Lost by Inattention to Suggestion

Millions in sales are lost because salesmen do not seize their opportunities to use suggestion. The following example is typical of many: A man went into a shoe store to buy a pair of rubber

overshoes. When the salesman had handed the customer his change, he sauntered away to the door. The man lingered, looking casually at several pairs of shoes that were lying out where they could be inspected. He was debating within himself whether or not he would buy a pair of shoes that day; one second he thought he would; then he thought he would not. He was not longing to have the salesman make an effort to sell a pair of shoes, but had the salesman quietly said, "Let me show you your size in that shoe; what do you wear?" he would have tried on the shoes and undoubtedly would have bought them. That pair of overshoes was his first purchase in that shoe store. Had he bought a pair of shoes that pleased him he would probably have returned and bought that same style of shoe a number of times. But the salesman paid no attention to his opportunity. The customer handled the shoes and finally concluded that he would wait until another day before he made the purchase. When he did get ready to buy he did not go to that store.

STUDY OF THE COMMODITY

Importance of Full Knowledge of Goods

BUYING has now been developed to the point where it may be properly called an art; and though a pleasing personality is and always will be one of the great essentials of salesmanship, the man who attempts to match mere personality against the experienced buyer of the business house or the skilful shopper in the retail store will not be long in becoming convinced that "know your goods" is an indispensable rule of successful salesmanship.

Other things being equal, the successful salesman of today is the one who has a thorough knowledge of his goods. It will be a vast help to him, too, to be familiar with the merchandise and the methods of other houses, especially those with which he comes into direct competition.

No amount of glibness, acquired or natural, will make up for lack of intimate knowledge of the commodity. Between the man who takes orders and the one who wrests orders from keen competition there is a vast difference. The degree of that difference will, in most instances, explain the difference in the pay envelope; and the pay envelope is the common denominator of success in salesmanship.

The feeling of mastery that a man has when he goes to a prospective customer full of his subject is a power as irresistible as the current of a deep-running river. It sweeps before it prejudice, ignorance, fear, criticism, and unjust and unfair competition.

An office employe in a large manufacturing concern once told the sales manager that he would like to try his hand at selling his firm's products. When asked why he thought he could sell the goods, the office man replied that he had made such a study of the goods for years, had answered so many questions about them, and knew their good points and their advantages over competitive goods so thoroughly that he was confident of his ability to overcome any obstacle that might arise in a discussion with a prospect. The sales manager declared that this office man had in his thorough knowledge the most important thing, and that, possessing this, the other needful things would come. He said he had no fears about putting such a man to work; and in saying this he expressed the opinion of many sales managers.

The man who calls himself a salesman but who does not know any more than the average man about the goods or service he is trying to sell has no right to ask prospects to give him their attention, and he will usually find that they have no time to give him. The word *salesmanship* implies the ability to create wants. Very few wants can be created by telling people only what they already know.

As the salesman is usually concentrating on a special line, it is not difficult, if he goes about it in the right way, to secure the information that he must have in order to make sales. This task is one of the first that he should undertake. He will then find that the self-confidence he has built up is as great an aid as the actual information acquired, for it must be remembered that in sales work the manner of the man who shows by his enthusiasm and his confidence that he knows what he is talking about is as powerful as any facts he may give the prospect.

Essentials of Knowledge of Goods

A writer in the Macey Monthly gives in the following paragraphs an excellent idea of the kind of information a salesman needs and the value of such knowledge.

Knowledge is not mere vocabulary. A salesman may know that there are linen, cotton, and woolen goods but unless he can tell them, one from the other, he does not possess knowledge. He may be familiar with all the different varieties of linen, cotton, and wool, so far as names go, but he has no selling knowldge if his information stops there.

One of the commonest faults of salesmen is lack of this knowledge of goods. A salesman may think he possesses it, but let him analyze this fancied knowledge and he may discover wherein it is lacking. He may be able to identify a piece of linen, and tell the name under which that particular piece is known in the mercantile world, but if you ask him wherein it excels some other piece, he may reply that its superiority lies in its strength or its texture, or its gloss, or lack of gloss, or something of that sort. As a matter of fact, the qualities he names are effects, not causes. To get down to the foundation of knowledge, he must know what gives the strength, the texture, the gloss, or the lack of gloss. He must know the raw material, the process of manufacture, and all the elements that go into the goods.

A salesman who possesses knowledge of this sort is fortified, indeed, to go forth to sell. He is able to answer intelligently any question that may be asked of him. Furthermore he is in a position to volunteer information of so much interest that it may be a strong factor in effecting a sale. Salesmanship is not, strictly speaking, the art of entertaining, but if a brief description of any given process of manufacture pleases the customer, it is directly in the province of the salesman to furnish that description. Not only may the description please but it may so impress the customer with the painstaking effort of a factory that the value of the goods will rise perceptibly in the customer's mind.

A business man, in talking with a salesman for a small automatic device, objected to the price on the ground that so small an article, and one apparently so simple, should be correspondingly low in cost.

Had the salesman been without knowledge, he would have been poorly fitted to answer this argument. He might, of course, have argued in reply that the value of a thing ought not to be gauged by its size but by what it will accomplish. He might also have emphasized the saving that the machine would effect.

What he did argue was the process of manufacture. It so happened that he was a graduate of the factory itself, not of the office, merely. He knew the machine from the smallest screw in it to the paint upon it. He presented to the customer, in five minutes, such a graphic narration of its manufacture that there was no ground for further debate. When he had finished the customer admitted frankly that the price was reasonable, considering the work that went into the device and the pains taken to make it perfect.

Take almost any article about you as an illustration. How often do you say, "It costs too much?" Yet, when you reflect on all the elements going into its manufacture, you are forced to acknowledge that it is really low-priced. The salesman who can tell you these elements is the salesman who will set you thinking. He will command your respect as well.

The only way a salesman can get this knowledge is by going after it, studying for it. Knowledge will not come to any man. He cannot get practical knowledge of goods while he is sitting on a stool or at a roll-top desk.

The editor of a trade journal relates an incident that points out strongly the need that the salesman has for specific information about his goods. A customer, who probably knew that the weight of a desk has something to do with its value, asked what the weight of a certain desk was. The salesman did not know, nor did he take the trouble to find out. Taking hold of a corner of the desk and lifting it, he remarked that it was "fairly heavy, though." As a matter of fact, the customer had read in a certain mail-order catalog that a local dealer would ask the same price for a light desk that the mail-order house would ask for a heavy substantial one, so that the customer had a motive in asking what the weight of the desk was; he was mentally comparing values. He did not tell the salesman what was in his mind. He went out without buying, when, by being well informed, the salesman would probably have closed the sale.

Importance of Specific Statements

If the inefficient man who claims that his failure to make good is due principally to hard times, to the sparseness of his territory, or to the fact that his prospects have all been canvassed by competitors, would spend more time in learning how to give the prospect more relevant information about his goods, he would talk more interestingly about the goods he is handling, and present more specific reasons and fewer generalities. Such statements as "This article has given universal satisfaction," or "We have the indorsement of leading business houses who have installed this article" are generalities that fall short of being

effective. Compare such statements with a specific argument such as: "Here is a list of 40 establishments in which the clerical force was cut down in the aggregate over 400 and better and more satisfactory service rendered. As a result 300 duplicate orders were received last month from Michigan, which shows how well our customers are satisfied and that the system is saving them money."

Pointless blanket claims have been the curse of both the salesmanship and the advertising world. When a salesman realizes the difference in sales value between "selected material" and "loft-dried hickory," between "strongest wagon ever built" and "every wagon is tested with a dead-weight test of 4 tons before leaving the factory," he has made a long step in the direction of successful salesmanship. The general statement is so indefinite that it fails to create any picture in the mind. Who can see instantly what the salesman means when he says "made of the best material"? But when he confidently and definitely explains the exact materials and processes used, the prospect is usually able to grasp the idea instantly.

Reasonable and Extravagant Statements

Extravagant statements abounding in superlatives influence thoughtless or uneducated persons to a certain extent, but the average person has learned that such statements are meaningless. "Best in the world" and similar claims are so hackneyed that it is doubtful if any one believes them. Certainly, one must have remarkable confidence in a salesman to believe fully such statements. Sales talk should be rational and well within the limits of belief. "Finest hat on earth" is not so strong as "No better $3 hat was ever made," and "most magnificent" is improved by dropping "most."

By the proper study of goods, the salesman can get the information that will enable him to be specific, to use language that appeals to belief, that produces pictures in the hearer's mind, and that paves the way for the closing of the sale. Then he will not feel obliged to indulge in general and exaggerated statements.

ANALYSES OF SELLING POINTS

Seemingly Commonplace Articles

A very able merchandising man says that the problem of today is to sell, by honest methods, goods that are commonplace or of only medium quality. It is obvious that though the tendency of consumers may be in the direction of buying better and

higher-priced merchandise, for a long time the bulk of goods sold will be popularly priced goods. As, ordinarily, goods of medium quality are not so full of strong distinctive points as the highest grade goods, there is even more need for a searching analysis.

To *analyze* means to look into critically and minutely, and that is just what the salesman should do. When he analyzes thoroughly he usually gets abundant material from which to select.

When a seemingly commonplace article is analyzed, it is often surprising to see how many good points can be found. To some persons such an article as a shoe, a soap, or a flour may seem devoid of interesting or distinctive features until the subject is investigated. But it should be remembered that a drop of water or a flake of snow, when examined under a microscope, abounds in interesting things. To a man who knows little or nothing about raw cotton, there may seem to be very little difference in grades. But the trained eye of the cotton expert enables him to see enough difference in the cotton grown in one state to divide it accurately into thirty grades. The same thing is true of other commodities. It is not expected, of course, that in selling a shoe the salesman will endeavor to give a history of the shoe from the birth of the calf from which the hide was taken down to the finishing polish, but he should be able to present clearly, concisely, and convincingly the points about a shoe that ought to be presented. Certainly if the salesman does not know the principal facts about leathers, shoe styles, shoe make-up, etc., he cannot expect to command the full interest and confidence of his customers.

Methods of Making An Analysis

Sometimes, in order to get at the merits of merchandise, it is necessary literally to tear up the goods. An acquaintance of the head of a big shoe department once dropped in for a chat with his friend and was astonished to see the shoe man, with knife and pincers, deliberately cutting and tearing apart an apparently new shoe. When asked what he was doing, the shoe man explained that he wanted to verify certain claims that had been made by the manufacturer, before he placed a large order for the shoes. He was getting to the very core of the matter.

A maker of ready-made clothing who was desirous of securing the best possible workmanship had a suit made for himself by one of the best tailors he knew and then had his own designers and tailors tear the new suit apart in order that they might study and copy, as far as practicable, the methods of the famous tailor.

Sometimes, of course, goods are of such character that they

cannot be torn up, or of such character that tearing to pieces would not be helpful. A man training himself to sell typewriters would not find it necessary to ruin a machine in order to get a correct understanding of its good mechanical features. The machine could be dismantled and the strong features explained by one thoroughly familiar with them. In some cases, however, a specimen machine or tool is sawed or cut in such a way as to show a sectional view that makes its operation or strong points perfectly clear to salesmen or prospective purchasers.

Machines can often be demonstrated or operated by experts so as to show the salesman by actual test what the speed or quality of work is. Goods such as woolens can be put to chemical tests that are not only interesting but afford absolute proof of the material.

A man who is taking an agency to sell a vacuum cleaner, for instance, should spend several days acquiring knowledge as to its mechanical construction and distinctive merits. Then he should use the cleaner, not in the warehouse, but in his own home or in the home of a friend. The enthusiastic indorsement of a disinterested person, after a trial, will do more to establish confidence and give the salesman courage than manuals and sales-manager's talks.

Not everything about a shoe can be determined by tearing it up; nor can everything about a soap granulator be learned by taking it apart or seeing it operated; and when something like bank service is to be analyzed, the information must be obtained by the question method; by making a keen study of the subject up for analysis and asking pointed questions of those who are thoroughly familiar with the good points.

The salesman in such investigating work should be a living interrogation point. He should listen to what others tell him, but he can gain full and convincing knowledge only by asking leading questions. When he asks such questions as "What is the object in having the inside wall of this refrigerator solid enamel with round corners?" he is sure to get interesting information from the manufacturer, sales manager, or whoever else is employing the salesman.

Hidden Selling Points

Advertising men, whose work, as far as investigating goes, is the same as that of a salesman, are frequently perplexed to understand why a merchant or a manufacturer keeps back extremely important selling points without apparently realizing that they are worth hundreds, or perhaps thousands, of dollars.

Many men seem to be lacking in what might be called the "sales instinct;" the goods or service they produce may have as distinctive or as powerful a selling point as the safety lever of the Iver Johnson revolver or the rubber-set feature of the Rubberset brush, but they do not realize it until some alert persistent salesman or advertising man keeps asking questions and brings out the point that is so full of selling power. Therefore, too much emphasis cannot be put on the principle that the successful salesman should be of receptive, inquiring mind.

A writer in Fame, discussing the subject of hidden selling points, says:

> Some people seem to think that talking points and selling points are the same, but they are not. There may be many talking points in an article but very few selling points. In fact, it takes quite a number of talking points to make one good selling point. As a general rule, the manufacturer or dealer knows all the talking points of the goods he is making or handling, but he often loses sight of the chief selling points. The talking points are usually obvious and are the same in all similar articles. The selling points may be obscure to the general eye, and they are invariably peculiar to the article itself. In other words, the real selling points are the distinguishing and exclusive features of the article.
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> Of course one naturally says that the individual and exclusive features in any product ought to be best known to the maker and the dealer. Probably they are, but neither one recognizes them as of vital importance in exploiting the goods. It is generally the advertising man who finds this out. He is trained to look for differences, for extra features, for points out of the usual, and he invariably seizes on one or more of these to emphasize.
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> It is conceded that all talking points lead up to the selling points, just as small rivulets and streams lead into the great river and thence to the ocean. But the two phases are often confounded, though they have totally different meanings. It is a strange fact that only the men with the true advertising instinct are likely to detect many selling points that have escaped the notice of the manufacturers of the article. They view the product from an outside standpoint, it is true, but, in the very nature of their business, they "walk all around it," so to speak. They view it from every standpoint, thresh out its claims, and its uses, compare it with similar articles on the market, and literally shake it to pieces for evidence.
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> That is why one occasionally sees an old article newly and strikingly advertised. The new advertising man has found a new selling point and is pounding on it for all he is worth. He has discovered a new and unexploited feature and he proceeds to make all he can out of it. The manufacturer is surprised. He knew of this particular merit before, but he did not think it worth while to mention it. He did not recognize it as a selling point at all, it seemed unimportant to him. In fact, he had hardly regarded it as a worth-while talking point.

Nature and History of Materials

Closely allied with the study of the finished article is the study of the nature or history of the materials of which the article is made. It does the salesman little good to say, "This garment is made of the best sea-island cotton" if, when the prospect

asks why sea-island cotton makes the garment better, the salesman has to evade and endeavor to conceal his ignorance. A man fond of research work might occasionally err by spending too much time in the study of the history of materials, but there are not so many who will err in this direction as there are of those who will try to get along with a smattering of knowledge that deceives few, if any, prospects. The salesman can hardly be expected, in the time that he ordinarily spends in preparing for his work, to become as familiar with materials as the manufacturer of wagons, who may have been buying wood, leather, and varnish for twenty years, but the salesman should go far enough to gain all the selling points. And he need not think in undertaking such a study that he is getting into a dry subject. The history of the materials of some products is as interesting as a good story. Take, for example, the study of a product in which rubber is used extensively. It would be difficult to find a subject more interesting than rubber; the rubber tree, rubber plantations, the way the rubber is produced, the reason for the higher cost today, adulteration, the superiority of high-grade rubber over adultered material, are full of interest.

Study of History, Methods, and Place of Production

Back of most distinctive articles or services offered for sale there is some interesting history that it is well for the salesman to know. No salesman could do full justice to the interests of the International Correspondence Schools without knowing how the Schools originated, how the first course was suggested by the column of questions and answers in the Mining Herald, of Shenandoah, Pennsylvania, and how the success of the mining course led to the preparing of other correspondence courses. Nor could a salesman do justice to the Burroughs adding machine without knowing something of the life and labors of William Seward Burroughs. It would not be advisable, of course, for a salesman to memorize the history of a business with the intention of reciting the story to every prospect. The idea is that there is a certain sentiment or atmosphere to every successful business, a human interest side, that makes the salesman most confident and that appeals strongly to many prospects. Despite the fact that buying is commonly thought to be a mere matter of dollars and cents, personality and sentiment enter largely into it. The salesmen of Heinz products, Oliver plows, Studebaker vehicles, and other such famous products may well take pride in the history of the firms they represent, and they can turn pride to good account in actual sales.

Factory Visits

The study of the methods and the place of manufacturing are closely linked to the study of the article itself, and yet many salesmen sell goods when they have very little idea of the methods used in their production. In many cases the factory or the home office is so far away that it is impracticable to have all the salesmen go there for investigation and study. But every competent sales manager knows the value of having the salesman visit the factory or home office and get first-hand impressions. The seeing-is-believing principle works out well here. The salesman who has seen Studebaker vehicles in the various stages of manufacturing has a confidence that cannot be acquired in any other way. He knows because he has seen with his own eyes. Large concerns, knowing this, aim to have their training schools for salesmen at headquarters, or to have home-office trips as rewards in contests, and so on. If an employer does not do this, it will be to the salesman's future interests to arrange a trip on his own time, provided the distance and the expense are not too great.

Study of Printed Literature

Unless the product that the salesman is to sell is new, there are usually obtainable catalogs, folders, cards, and letters that afford much good information about the article, its history, the methods of production, the material used, testimonials from satisfied customers, and so on. Such literature often contains not only the concrete facts but strong sales arguments based on facts. Such matter should be studied thoroughly. Opinions differ as to the advisability of memorizing a great deal of information of this kind, but the salesman should make note of the most important facts and points and rehearse these until he can discuss the points easily and convincingly.

Concerns that manufacture specialties and carry on very aggressive sales work have found it profitable to prepare sales manuals, or handbooks, in which are published, in concise form, the strongest selling points of the products and perhaps answers to the most common objections that the salesman meets. Such works often represent the experience of many years and of many men and give the new salesman material in concise form that he would be years acquiring by any other method. As it is a common failing for salesmen to be too confident of themselves and to pay too little attention to these powerful aids, large selling organizations have required their men either to make handwritten copies of certain data and argument or else to memorize the matter.

A few large concerns have gone even further than the preparing of sales manuals and have prepared well-laid-out courses of instruction that their men are required to study and on which the men prepare written examinations. Armed with the condensed and logically arranged information that can be obtained from such a course the new salesman does not have to start out with a half-hearted feeling.

From time to time, during a salesman's employment, he will probably receive from the home office printed matter of various kinds that will prove helpful if he gives it proper attention. He is not doing himself justice unless he does pay careful attention to all such aids; "didn't know" is a poor excuse when the essential information has been put in convenient form for the salesman's acquiring.

Views and Questions of Prospective Buyers

In securing sales information, much depends on getting the proper point of view. Sales are not closed on what a manufacturer or a merchant thinks of the goods offered for sale, nor even on what the salesman thinks of them, but on what the customer thinks, or can be induced to think. The important questions, therefore, in collecting data are: "What will the prospect want to know before he will part with his money?" "What will interest him, command his confidence, and finally convince him?"

Variance in Point of View

It is not always easy to get the proper point of view. Frequently men, when studying women's goods for selling points, overlook features that would be strong with women, or get enthusiastic about a certain point only to discover later that the point is one of little feminine interest. It is important, then, when studying women's goods, to get the woman's point of view; when studying farmers' supplies, to get the farmer's point of view; and so on. And this can be done in a practical way by talking with the proper persons and asking their opinions about the goods. In a retail store, for example, it is an easy matter to have several women among the employes inspect new suits, waists, etc., and thus to get interesting points of view.

The salesman can take a good lesson from the head of the advertising department of a large New York department store who regularly goes out in front of the store's show windows and stands there simply as a bystander, observing what holds the attention of the people and what remarks they make. He also wanders about the store, listening to the questions and comments

of shoppers. By these methods he gains clear understanding of the proper viewpoint from which to prepare his sales talk.

Using a Popular Feature

In the modern selling of typewriting machines a great deal is made of the visible feature, that is, if the machine is a visible writer. The salesman of the first practical visible machines had a strong point against the so-called blind machines, that is, from a sales point of view; and yet expert typewriter operators know that the visible feature, while an advantage, was never of the great importance that typewriter manufacturers and their salesmen attributed to it. The fact is that in rapid operating, the operator has no time to watch the keys as they strike the paper; his eyes must be on his notes or copy; and when a mistake is made, the operator usually knows it even on a blind machine. The highly trained fingers of the operator do their work almost automatically. But in this case the salesman shrewdly seized on the popular idea rather than on the opinion of the expert typewriter operators. They soon learned that the average person was greatly impressed by the visible feature and they "played up" that selling point beyond its real value from the mechanical and the operator's point of view. This was good business for the reason that the operator was not usually the one who bought the machine, and besides he could be depended on to agree that visibility was a good thing even if he would not go so far as the salesman.

Viewpoints of Acquaintances

A salesman's acquaintances will sometimes see favorable points that the salesman has not discovered. Prospective customers will concede certain things that can be remembered to advantage. Even when sales cannot be made, some expression of opinion from a prospect may turn out to be of value.

An inexperienced typewriter salesman made it a point to become friendly with two users of the machine he was selling and frankly told them that he knew little about typewriters but was anxious to learn because he wanted to make a success of his work. These men gave him more and better pointers on the particular advantages and disadvantages of his typewriter than he received from the maker.

Retailer's Point of View

If the article must be studied from the viewpoint of the retailer rather than from the viewpoint of the consumer, the infor-

mation that the salesman should acquire is of a different order. Suppose, for example, that a salesman is preparing himself to sell Heinz's 57 Varieties to retailers. Naturally, the consumer has an interest in the quality of the goods, the superior methods of the Heinz kitchens, the policy of the manufacturer as to pure foods, etc., but the retailer is in business to make money, so the salesman would have to emphasize particularly the following points:

Heinz goods are especially well advertised. There is a steady demand for them. They are easily sold; their reputation does away largely with need for sales arguments. High-quality goods add tone to a store and bring new trade. Practically all high-grade grocery stores carry Heinz goods, and people think it strange if they cannot get the 57 Varieties when they ask for them. The reliability of goods makes customers satisfied; people will buy more of Heinz goods than of other makes, thus greater profits are made. Great variety results in one kind of the goods advertising and selling others, thus increasing sales. Company furnishes attractive window-display goods. Local warehouses are established from which special orders can be quickly filled.

Demonstrations by Sales Managers

It is a favorite method with sales managers to take new men out with them and show by practical demonstrations how a sale is made. Sometimes the sales manager will turn the new salesman over to one of the most successful of his sales staff, who will take the new man in charge and give him demonstrations in selling or perhaps in selling and collecting.

Experiences of Other Salesmen

A great deal of information can be drawn by the new salesman from the experiences of successful salesmen in the same line of work. While it is true that not all men can work by the same methods, the methods of one successful salesman can usually be modified to suit the temperament or the circumstances of other salesmen and the usefulness of such methods extended. The tendency of today, with large selling organizations, is to investigate the experiences of all their most successful men and to put all good plans before the entire field organization.

PREPARING INFORMATION FOR USE

Selling to Oneself

A FAVORITE bit of advice from sales managers is that the salesman should sell himself the goods before he attempts to sell them to others. The idea is a good one, for it is certain that the salesman whose study of the goods or service he expects to sell is so superficial that he is only half convinced, will not have the enthusiasm and confidence necessary for the greatest success. Hence, the salesman does well to imagine himself a prospective purchaser and to probe and weigh until he has reached the point where he feels that the acquisition of that particular commodity is the most important thing before him. Such a man, when he canvasses a prospect, will have great power, for he will possess an earnestness and convincing power that will have marked influence.

So, in addition to whatever the sales managers may tell him and to whatever may be learned from other sources, the salesman should investigate and argue the thing out for himself and gain the conviction that not only he but every other man who can use the goods ought to buy. In case the service to be sold is life insurance, the salesman should actually take out a policy for himself. He cannot consistently tell other men that insurance is indispensable and that his company offers an ideal policy if he has not seen the advisability of taking such a policy.

Singling Out Important Points

The idea of making a thorough analysis is not that the salesman should be able to present a full array of selling points on every occasion. It is often necessary to pick out one or two of the strongest points and to make the canvass on these. An insurance man, for example, may find it best to explain the monthly income feature of insurance. Office devices are often sold mainly on the money-saving argument. The resourceful salesman will work out his leading point or points, but at the same time he will be prepared with plenty of secondary points to support the leading ones when support seems necessary.

Procedure Where a Line is Sold

A salesman may handle a line that may include anywhere from a dozen to several hundred items. When calling on new

trade, he should determine, in advance, which of these items the prospective customer is most likely to be pleased with, and on entering be primed with a good reason why that particular thing should be purchased. Singling out some particular article from a line of goods and emphasizing it has several advantages. First, it is easier to hold the attention and secure conviction when presenting a single article than when endeavoring to emphasize the value of a number of articles at one time. Second, when a man is selling a staple line, getting an opening or an initial order, no matter how small it may be, is an achievement worthy of his best efforts. Third, when a customer can be so impressed with the value of a single article as to purchase it, he can often be induced to order other things to make up a larger shipment. But a salesman should not confine himself to the same specialty, month after month, for this would result in narrowness and the loss of sales of other meritorious goods in his line.

Use of Technical Terms

If the persons to whom an article is to be sold lack the education or the experience to understand technical descriptions, the salesman, in his study of the commodity, should use care to acquire his knowledge in language that prospects will readily understand. For example, there are many mechanical details about a cash register, an adding machine, or a typewriter that a mechanical engineer would understand when the features are described in technical language, but the average purchaser of such machines and devices has little or no knowledge of mechanics. Such terms as reciprocal action, toggle-joint, sublever connections, variable line-spacer, therefore, mean little to these prospects; the points of the machine must be explained in plain every-day language. As the salesman will usually be able to take the layman's point of view, he should question the expert that may be explaining the machine as to the meaning of reciprocal action, what it does, and why it is any better than any other action. This is important, for when the salesman goes to his work he does not go as an expert mechanic, or as a traveling encyclopedia of technical information along some special line, but as a salesman; the points and arguments that he needs most are those that will make people buy.

There are many kinds of goods sold to persons who have some knowledge of such merchandise. A salesman selling printing presses, for example, will deal with many prospects who have either bought presses before or who, through the operation of presses, know considerable about them. The same condition

exists to a greater or less extent in the selling of engines, automobiles, pumps, and other classes of goods. In such fields the salesman must be equipped with enough technical knowledge to satisfy the man who looks for technical details; to be unable to do this is to give the prospect an advantage, for it always lessens a salesman's confidence and force if he must concede that the prospect knows more about the class of goods than the salesman does.

The question of whether technical or popular argument should be acquired comes back to the question of the class of persons the salesman will approach. He must acquire the kind of information that such people must have before they part with their money, and he must be able to give that information to them in the language that will be clearest and most convincing.

Successful Reasoning

A salesman has constant need for the faculty of reasoning. If every man that the salesman approached had just the opinions and beliefs that it was desired he should have, the salesman's work would be of a simple clerical nature; he would be a mere order taker, not a creator of wants; he would not be a salesman in the full sense of the word. Except when they seek the store or the salesman, few prospective buyers think, at the beginning of the canvass, just as the salesman would like to have them think. Even when the prospective buyer has a more or less definite want and the salesman starts his work with that decided advantage, there is often need for skilful reasoning. And when the salesman must seek prospective buyers and sell to those that are either uninterested or antagonistic, the need for ability to reason skilfully is urgent.

The salesman has as much need for reasoning ability as the minister, the politician, or the lawyer. The lawyer can compel the introduction of certain testimony, and the judge and the jury are obliged to remain throughout the trial. The salesman's jury is the prospective buyer, and this jury can cut the trial short if the advocate becomes offensive or tiresome. The salesman can, however, take a good lesson from the way the successful attorney studies a situation and plans an array of proof that will convince the jury.

It is an excellent plan for every man studying salesmanship to join a debating club or some other club or society where regular discussions are held, and to regularly take some part, though he may not have prepared himself on the subject under discussion. Standing before an audience and endeavoring to express views

clearly and convincingly develops clear thinking, conciseness of speech, and self-confidence.

Kinds of Argument

The appeals of argument may be well divided into appeals to the intellect, or the understanding, and appeals to the emotions. For example, a jury may not be entirely convinced that a man is innocent; in fact, cool reason may make it appear that he is guilty; yet the lawyer may appeal so strongly to sentiment that the verdict will be of mercy. On the other hand, though the attorney for the defense may make a strong appeal to sentiment, the prosecutor may counteract the effect by a firm appeal to the jury's reason, to the necessity for upholding the law, etc.

When men understand an argument and recognize that a certain conclusion is right, and yet are not moved to take action, an appeal to the emotions is valuable. But if the emotional appeal is not accompanied by an appeal to the reason, it is likely to be temporary only. A man who buys on the emotional appeal alone may regret it an hour after the salesman leaves and, if possible, may cancel the order or stop payment on his check. The highest type of argument is that which makes it clear to cool reason that a certain action is right and then plays on the emotions to induce action. In such cases, the man who takes the action is likely to be kept from regretting and changing his decisions by his ability to reason within himself that the step was judicious.

Conviction and Persuasion

Conviction is a belief founded on evidence and not a resolve that comes about purely as the result of an appeal to the emotions. A man may be convinced that it is his duty or to his interests to take a certain step and yet he may require persuasion before he finally acts. In order to convince him the salesman must be able to present an array of proof that appeals to the reason, that leaves no room for doubt. Conviction must ordinarily come before persuasion, though sometimes this order is reversed. The beggar appeals to the emotions and thus persuades the passer-by to give attention in order that he may tell his story and, if possible, build up the belief that he really deserves assistance. While the comparison of the salesman with the beggar is, ordinarily, not an apt one, the salesman must sometimes resort to an appeal to sentiment, to the emotions, or possibly to an appeal for fair play, before he can get a chance to introduce facts that convince. For example, a salesman once

said to a prospect who persistently refused to discuss the object of the salesman's errand, "What would you do if you were a salesman and knew that you had a proposition that was right and a man refused time and again to listen to you? Wouldn't you keep after him in the hope that after a while your man would be fair enough to give you a chance?" The prospect good-humoredly replied, "I suppose I would," and the ice was broken.

Conviction sometimes occupies a middle position in a canvass. Persuasion having been used to secure a hearing, the salesman introduces a well-arranged series of convincing arguments and then brings the canvass to a close with persuasive tactics to force action. But the salesman must remember that the prospect convinces himself. All that the salesman can do is to introduce such facts and arguments as will be likely to bring about conviction. The conviction itself must be the result of the prospect's process of thinking. No matter how firmly a salesman himself may be convinced of a certain thing, his conviction is not shared by the prospect until the usual mental process has taken place within the prospect's own mind. Salesmen sometimes forget this and attempt to force their personal convictions on the prospect and to induce action before conviction has really taken place.

Persuasion implies an appeal to the emotions or to interest. Clear, cool reasoning may have shown a prospect that a certain step should be taken, and yet he hesitates. The human tendency to resist makes him hold back. He often feels that he will soon yield and is really relieved when the salesman makes an appeal or takes some action that affords an easy way to decide. It is at this stage of selling that the personal appeal is needed, gently pushing the prospect on toward decision, and yet not appearing to force a decision.

Methods of Canvassing

In making a canvass, salesmen are inclined to follow one or the other of two extreme methods. Either they have committed everything to memory or they have memorized nothing. By the first method, the salesman has at his tongue's end his most important arguments; but the canvass has a mechanical sound; it is hard to make it seem personal. Besides, the memorized canvass is not elastic enough to be bent and adapted to any direction that the argument may take.

On the other hand, the method of relying on general resourcefulness and extemporaneous ability is as weak as the method of depending entirely on memorized matter. The talk is likely to

be inaccurate. Amounts that are remembered only in a general way will most likely be overstated. Instead of citing a definite number of instances of a certain kind, eighteen, for example, a salesman may unthinkingly say scores; then if he is asked to go into detail he will be embarrassed by having to confess that he was loose in his statement. The necessity of having to make this confession will weaken his argument. Besides inaccuracy, there will be repetitions, not only of statements but of favorite words, expressions, and methods of explaining. Most men have favorite expressions such as "As far as that is concerned," "Now let me tell you," "I was wondering," etc., and are likely to become monotonous when they ramble in their talk.

Most Successful Method

A better method than either relying entirely on memorized matter or entirely on general resourcefulness is to become thoroughly familiar with the facts and language of the most important argument. Every one knows how much easier it is to tell a story or to make an explanation that has been rehearsed, and there are a great many arguments that can be stated accurately, concisely, and impressively only by studying and rehearsing them so that they can be repeated practically word for word from memory. Some of the most successful selling organizations require considerable memorizing on the part of their salesmen. Others require their salesmen to write out a great deal of well-stated argument that has been found effective. The very act of writing a statement impresses it on the memory so that it can be repeated with fair accuracy, though perhaps not word for word. By following this plan, the salesman will leave room for all the resourcefulness he may have and yet at the same time will powerfully reinforce his sales attacks by having at his command strong arguments arranged logically and stated in a clear, concise, interesting way. No one, unless he is wonderfully gifted as an extemporaneous talker, can hope to be able to compose offhand statements that are as free from loose statement, monotony, and cloudiness as those arguments that are carefully prepared by many large selling organizations and put at the disposal of their salesmen.

Arrangement of Argument

Reasoning is too abstract a subject to be hedged about by hard-and-fast rules, but these general principles may be followed when selecting and arranging argument:

1. Select for the opening argument the point most likely to command the prospect's favorable attention.

2. Reject points that may possibly have a weakening effect on the stronger argument.

3. Plan to keep back until near the end of the canvass, when the desire is aroused, such features of the goods or service as are likely to be serious obstacles.

4. Reserve some strong argument for the closing.

Introduction

The opening argument is of great importance. Unless he who would sell goods can get attention, he will have no chance to use his strong appeals to desire or his skilful closing points. Attention may be obtained by: Showing the goods, using acquaintanceship, using an inquiry, using a selling point of the goods, appealing to the prospect's need.

Showing the Goods.—The method of attracting attention by showing the goods is followed by retailers and others who put attention-attracting goods in windows or on counters. Even a specialty salesman may be selling an article of such attractive quality that it is good salesmanship to put the article before the eyes of the prospect at the outset.

Using Acquaintanceship.—Attention is often commanded on mere acquaintanceship. The fact that one man knows another is usually enough to insure a hearing; therefore, it is to a salesman's interest to have as large an acquaintance as possible. Because of the value of acquaintanceship in assuring the salesman attention, salesmen often secure a letter of introduction from some one who is an acquaintance of the prospect as well as of the salesman; or an acquaintance is prevailed on to go with the salesman and introduce him. Often it is sufficient for a salesman to say, "Mr. Blank suggested to me that you would probably be interested."

Using an Inquiry.—In cases where the prospect has sent an inquiry, the inquiry in itself indicates attention and some degree of interest, and the salesman can, with advantage, use the inquiry to secure attention for his introductory argument. When the salesman steps in with the remark, "I have here your letter asking for information about the Blank Encyclopedia," the prospect, knowing that he sent the inquiry, cannot with good grace refuse to discuss the subject.

Using a Selling Point of the Goods.—A favorite method of securing attention is that of starting the sales argument by calling to notice some feature of the goods. "Did you ever see any carbon paper as good as this for a dollar a box?" says a canvasser of business offices as he steps in. He secures attention by men-

tioning the low price, and supports his attention-attracting opening remark by holding forward an opened box of the carbon paper.

Appeal to Prospect's Need.—One favorite method of securing attention is to open the canvass with an appeal to the prospect's needs, his instincts, sentiments, emotions, etc. "If you should die, would your widow be forced to marry again?" is more likely to give an insurance man a chance with a married man than "I want to talk to you about an insurance policy." The first argument is an appeal to sentiment; the latter merely announces that the insurance man is on hand to sell the prospect something, and it is rare that a man is found who is looking for a way to spend his money, most men instinctively oppose efforts to make them buy things that they have not felt the need of.

It is to the salesman's interest to be as skilful as possible in getting a point of contact on which to introduce his argument. Getting the point of contact is sometimes referred to as *striking the responsive chord;* the phraseology is apt, for as certain notes, when struck, cause other notes to vibrate, so certain opening arguments strike lines of thought that the prospect's mind has been following in the past, or certain instincts or impulses, and immediately thoughts start to move in the direction the salesman wants them. In the opening, "If you should die, would your widow be forced to marry again," the salesman strikes a responsive chord made up of the man's love for his wife, his pride in leaving her provided for, and the aversion that the average man has to the idea of his wife's marrying another man, especially if she is forced to do so by stress of circumstances.

Creating an Interest

The creating of interest follows so closely on the heels of attracting attention that the two steps of the sale are commonly merged. Very often the most natural method of creating interest is to elaborate the point used in drawing attention. A salesman for a hand calculating device, for instance, may go before an office man with the statement that he wants to show the office man how to get rid of laborious calculations when making up time tables, etc. Having secured attention with that hint of his errand, he may create interest by drawing the device from his pocket and, asking for an every-day calculation that the office man has to make, show how speedily the calculation is made with the aid of the device. The demonstration is usually the best means of creating interest and arousing desire. The prospect in a men's furnishing store may be attracted by the excellent color

of a cravat and stop to look closely. If the salesman takes the cravat and, skilfully knotting it around his finger, shows how it will look when tied, in many cases the attention will instantly ripen into interest and desire.

When Demonstration is Not Practicable

Some things are sold that cannot be demonstrated; for example, life insurance. In such a case, interest must be obtained by tactfully leading up to the subject. It is hardly practical to attempt to lay down rules as to how the canvass shall be led on from the attention-securing point into interest; much depends on the prospect's attitude. He may ask a question that will itself direct the canvass that is to follow. Some years ago one of the leading insurance companies used as its attention-winning point a request that the prospect allow the company's doctor to examine him. There was no proposal made as to a form of policy when the permission of the prospect for the examination was secured. The act of the prospect in submitting himself before knowing what proposal the insurance company would make developed a certain amount of interest. When the solicitor called, after the examination, he had a more or less interested prospect to deal with.

Arousing the Desire

Desire is aroused by appealing to the senses, the sight, hearing, taste, smell, and touch, as well as to the prospect's instincts, needs, emotions, sentiments, or prejudices. In some cases, the desire is appealed to at the very outset, in which the point that attracts attention also arouses desire. The skilful piano salesman knows the value of playing on the piano as soon as he has secured attention, because in the music he has a method of appealing to the ear and to desire. The real estate man appeals to the home-loving instinct by talking of the satisfaction there is in having a home that the purchaser can call his own.

PRESENTATION

Building the Sales Talk

Direction.—In presenting the talking points that make up a sales argument it is necessary to consider three interlinking qualities, *direction, structure,* and *force.* If a man is required to sail a ship from New York to Liverpool, the first thing that he must know is the direction he must take. Knowing his destination, he plans the most direct course possible. He will not sail by guess,

but will keep his port in mind and will head for that port. Storms that compel his abandoning the exact route charted will only temporarily change his course. His constant aim will be to maintain, as nearly as possible, the right direction to make port. Similarly, when arguing for business, the first great requisite of every talking point used is that it have direction. In order to convince in a canvass, therefore, the direction of the argument must be right. Every point introduced must tend to prove something that is really necessary to the making of the sale. Objections must not side-track the argument; once it is started in the right direction, it must be kept on to the end. The reason why many salesmen of only average ability have made splendid sales records is that their canvasses have had direction. They do not rely on versatility, genius, spectacular work, but they keep headed toward the right point. The test as to whether a selling point has direction or not is its real bearing on the end in view, the sale.

Structure.—The efficiency of a sales talk depends largely on how the various elements are put together. The laying of the foundation and the joining of beam to beam, until at last the complete structure is accomplished, differ greatly with the class of salesmen to be employed. The sales correspondent, or advertiser, has both field and leisure to build such a fabric as he thinks will do the best work. Unlike the personal salesman, the writer of sales matter has leisure as to selection, arrangement, finish. Most of all, there is no running fire of objections to meet; if a plan must be changed, it may be altered deliberately.

The personal salesman, when making his sale, is like a skilled workman trying to bridge a river in a hostile territory. Having determined the starting and the finishing points, he pushes the construction work forwards. Exposed as he is to attack, he is often compelled to abandon his original scheme and to build as he can, but he steadily works forwards until he has attained his object.

If a sales correspondent or advertiser has to tell his story in a hundred words, he confines himself instinctively to certain broad lines of reasoning and will use only the big points. If a salesman has only five minutes in which to sell to his man, he, too, intuitively uses only his most convincing arguments.

With respect to structure, therefore, there are three things to be desired in presentation. To arrange the strong points so that they will be clear; to avoid those points that lead to side or wasteful discussion; to have all points in sequence so as to keep intact the chain of proof throughout the sales talk.

One of the requisites of good structure is that it be natural; that is, it must conform as far as possible to the thinking habits of the prospect. If the prospect is made to think differently from the way he is accustomed to doing he is likely to be wary and distrustful. If he is so canvassed that the reasoning appears to be his own, he will be very likely to agree with the argument. That is why many men who have spent a good part of their lives as dealers or manufacturers make good salesmen; their habits of thought are much the same as those of the men to whom they sell. So, to them, there is no difficulty in making the various steps of the sale seem easy and natural. Once the prospective buyer can be made to reason a conclusion out from the data the salesman gives him, he is in a much more receptive mood than when driven, step by step, from one argument to another. But the art of getting the prospect to do his own reasoning and come to his own conclusion requires a good knowledge of salesmanship, long practice, and considerable tact.

A sales point may be big in one sense and still it may not be suitable for a canvass, as it may provoke side discussion. It may weaken the main argument by getting the prospect to think along lines other than the main point of discussion. Many of these points are excellent in the abstract but deadly in action, and should be carefully avoided. Such selling points are those likely to call up political, religious, or social discussions.

The strong points of a selling plan must be made to stand out. When this is done, the prospect is practically compelled to get a clear idea of the proposition. The requirements of good salesmanship demand that attention-acquiring and interest-gaining arguments shall be placed in the lead, that the middle of the canvass shall be devoted mainly to demonstration, and that the final part shall be given over to getting action, or perhaps both. Conforming to these requirements, the salesman may find it well to allot at least one strong point to each part of his sales; one point for the approach, one for the demonstration, one to compel action; these are ordinarily as few points as he can safely use. At times, one good point that is well backed and changed in presentation and appeal may be used to make up a selling talk. However, there must not be so many important points as to muddle the buyer. An attempt to bring in too much proof by using many talking points tends to confuse rather than convince. In every canvass, the lesser points should group naturally and forcefully about the main centers of proof. In common with the great points, lesser points must be placed right or their value is lost. A minor point must follow and back up a major one.

Force.—Force may be obtained by the proper arrangement of a canvass or it may be obtained by the manner of presentation. The force that comes from proper arrangement is that which makes especially prominent the points of appeal and consigns the weak points to the unimportant positions. Presentation force applies more particularly to the methods of handling the facts after they are obtained and arranged. But the fact that should convince does not always convince; the product may be one, the plain facts of which cannot be made interesting. In such a case the salesman must combine uniqueness of arrangement with uniqueness of presentation.

Cumulative Method of Presentation

By using the cumulative method the salesman increases the strength of his sales points until the prospective customer is, so to speak, swept off his feet. This method is used perhaps more than any other. It has the merit of being simple. The sales points introduced may be all modifications of one big strong argument, or they may be drawn from several divisions of the subject but of very close relationship. One strong point, well proved, is often enough to make the sale, as is shown by business specialty salesmen who take as their text "it will pay for itself," and confine themselves entirely to the demonstration of that point.

The street salesman of novelties uses the cumulative method. Holding aloft an article, he makes a bold declaration. Knowing that dwelling on any comparatively uninteresting point will cause his group of hearers to walk away, he rapidly builds up a substantiation of his opening claim and immediately afterwards makes a strong effort for sales.

The carbon-paper salesman already referred to opens with "Did you ever see any carbon paper as good as this for a dollar a box?" The next step is to proffer a sheet of the paper for examination and trial, if there is a typewriter in the office. "Good as the carbon you usually pay $2 a box for" is the final argument before the effort is made to close. Here the entire canvass is a short, swift, cumulative effort to prove the simple point that the product offered is a good quality of carbon paper at an attractive price.

The cumulative method is exceedingly common in retail work. Calling attention to a barrel of potatoes priced rather high, the grocery-store salesman justifies the price by such arguments as: "These are home grown; we bought them from a near-by farmer, and they certainly will satisfy you. Notice how uniform they are in size, and how smooth. They'll cook without

waste, dry and mealy, and you won't find a bad one in the lot. They cost a little more, but are really cheaper in the end than the car potatoes now on the market."

Unbiased Testimony

Though the prospect may have some confidence in the salesman, he knows that the salesman's object is to make sales, and he usually looks on the salesman's opinions as being more or less biased. Hence, it is expedient, whenever possible, to introduce unbiased testimony. Occasionally the remark is heard that the day of advertising and selling by means of indorsements is over. It is not over and probably never will be. Statements of what progressive farmers think of the sulky plows or the gasoline engines they have bought and used make up the most powerful kind of argument for the salesman of the plow or the engine to use on other prospects in that locality. The testimonial letter has long been used with telling effect in advertising and sales work.

To be of the greatest value, the testimony of others must be *unbiased.* If there is any suspicion that a piano was given to the famous musician in order to have him say something complimentary about the instrument, the letter of testimony is weakened. The testimony of others is also stronger when it is specific. "I am well satisfied with the gas engine I bought from you" is too general to be convincing. When, however, the user of the engine sets forth that the engine has given good service for two years without a repair being necessary, enumerates ten ways in which it has saved time and money, and cites that the engine has enabled him to earn, to date, the sum of $325 by sawing wood, shelling corn, and thrashing grain for neighbors, the testimony is of value and the prospect can, in his imagination, see himself going through the same satisfactory experiences. In order to get specific testimony, some business concerns adopt the plan of asking users of their goods direct questions on certain points, such as how the article has worn, how it has compared with goods of the same class previously bought, what the saving or benefit has been, and so on.

Unsupported Statements

Conclusive evidence is better than mere assertion. An actual letter over a prominent name is better than an assertion that "Mr. So-and-So has said." The figures of an actual transaction are more convincing than glittering generalities. But while it is desirable to give concrete proof when it is available,

it is folly to say that every statement a salesman makes must be thus supported.

For instance, a salesman selling stock in a new woodenware manufacturing company may show, by carefully figured estimates and the experience of other concerns, that the new concern will likely be able to pay dividends of ten per cent. But such a conclusion is reached only by inference; the dividend-earning matter is in the future and cannot be determined with mathematical exactness. Consequently, all that the stock salesman can do is to have such complete figures and impressive experiences at his command that the inference as to the future will be very strong.

Men, for ages, have been accustomed to accept as the truth a great many unsupported statements from their fellows. If the statement appeals strongly to reason, it is human to accept it with some degree of confidence. "Buy this box of hose and if any pair wears out within six months, we will give you a new pair" says the hosiery manufacturer and the retailer. The terms of the guaranty are specific, and rarely will the buyer be found who will demand proof that the guaranty will be actually carried out. Business could not be carried on without this confidence.

The ordinary claims made in business are so far-reaching that it becomes a very complex matter to prove each statement made. And sales talk would tend to lose all rhetoric and persuasion and become a mass of statistics, were proof to follow each statement. This would not only be dry and repellant in form, but would actually become so intricate that it probably could not be made clear. While concrete proof has great value, the salesman should weigh carefully the merits of the case, and abandon all proof that is too complicated, or make such other changes as judgment and experience direct.

Proof is sometimes impractical because it leads into disputed facts. It may only add to the uncertainty of an unbacked statement to attempt its proof by facts themselves in dispute. No surer way to sidetrack a chain of reasoning is known than that in which a prospective buyer disputes the backing of a statement. It is practically certain to lose the sale. Even if the salesman can get back to the line of argument, he will have great difficulty in getting the prospect's thoughts off the disputed matter.

Arguing by Hypothesis

The form of argument known as hypothesis is that in which a certain statement or premise is assumed as a basis from which

to arrive at a conclusion. For example, the superintendent of a large tannery was once approached by a salesman who was introducing a new depilatory, a hair-removing chemical. The superintendent declined to go into the subject at all, saying that it was out of the question for his firm to change its methods and machinery. The salesman undaunted, said: "Mr. S., I am not here to tell you that you should change your methods. I am here to show you something that you as the superintendent of a large tannery cannot afford not to know. When I have shown it you can decide whether or not you ought to change your methods. Suppose that I could show you that my process effects a saving of two per cent. in your finished leather, wouldn't you like to know about it? Suppose I could prove to your entire satisfaction, by a demonstration right here in this plant, that my process effects a saving of ten per cent., wouldn't you feel interested?" By thus assuming that he could show certain results, the salesman was enabled to get the superintendent's admission that he would be interested; and the chance to make the demonstration was given.

In the example just given, note that the salesman outlines a hypothetical situation in which the prospect himself is a central figure.

Arguments From Analogy

By means of the parallel case, or analogy method, another instance or set of circumstances similar to that under discussion is taken for the sake of comparison and of making a certain conclusion apparent. For instance, a prospect hesitates about buying an article the use of which is new. "This thing is new and untried, so far as I am concerned," he says. "It looks all right but I may be wrong and may be sorry in a month that I bought it." So were those scales of yours a new thing," rejoins the salesman, "but you say you don't see how you ever got along in the old way." A concrete parallel example in which the prospect can see involved the same principle or action that is under consideration usually is very convincing.

To make a parallel-case argument strong, however, the illustration should be carefully chosen. Addressing a newspaper solicitor, a retail merchant once said: "I keep on advertising but I don't know whether it really helps my business. How can I tell at the end of a year whether it has paid me to advertise?" The solicitor replied: "If you paid $40 for a suit of clothes and wore it for a year, wouldn't you know at the end of a year that the investment had been a good one?" But this argu-

ment did not impress the merchant. The cases were not parallel, and though the year's business had been good that, in itself, was not absolute proof that the advertising had been profitable.

Law of Average

Men are prone to form conclusions from their observation or knowledge of exceptional cases rather than from a consideration of a fair number of cases. A business man may have purchased a certain office device that has failed to do its work properly. Consequently, that man's acquaintances are likely to conclude, from this one instance, that the device is not a success. They do not stop to reflect that they have heard only one side of the case; that there is a probability even that the device may have been merely defective or that the manufacturer has one hundred cases of success for every failure.

The salesman often has occasion to combat these unfairly formed opinions and to appeal to a prospect's sense of fairness by asking him to give both sides of the question consideration.

The hypothetical method may often be used convincingly to show that the average, rather than the exception, should be taken as the example. For instance, suppose that the prospect is a retailer who hesitates to buy because he knows of a case where the goods did not sell well. The argument may be: "Mr. Smith, if you were a manufacturer and found that nine out of every ten retailers handling your goods made money out of them, while the tenth said that there was no demand and no money in the stock, would you think that the goods were at fault or that the trouble was with the tenth man?"

Argument by Inference

It is impossible for a salesman to support all of his arguments with indisputable proof. A great many of his conclusions must be reached through inference, by consideration of causes and effects, and by endeavoring to establish strong relations between the two. As causes and effects are rarely completely connected, it is to the salesman's interests to make the connection as direct as possible. Therefore, to induce a prospect to believe that a certain effect was due to a certain cause, it should be shown that the cause was sufficient to produce the effect, and that there were no other causes to which the effect could be reasonably attributed.

For example, if one hundred adding machines are put out in a given community on thirty days' trial and at the end of that time ninety-two of the machines are purchased by those trying

them, though a statement of this fact is not absolute proof that the machines give satisfactory service, the inference is very strong. The probability that those who kept high-priced adding machines did so for any reason other than satisfactory service is very slight indeed. The fact that a farmer secured a much larger yield one year than he did on the same kind of crop the year before, does not alone build up a very strong inference in favor of the fertilizer used. If, however, the rainfall, the method of cultivating, etc., can be shown to be the same both years, then the fertilizer salesman is able to show a more direct connection from effect back to cause.

In attacking a conclusion against his goods that is arrived at by inference, the salesman may be able to show that the cases of dissatisfaction were too few, compared with the cases of satisfaction, for the conclusion to be fair; or that the unsatisfactory result mentioned occurred in cases where his goods were not used at all, thus establishing that the result was not linked exclusively with the supposed cause.

Reducing Argument to Absurdity

While it should be kept in mind that, as a rule, good-humored, tactful methods bring more business than sarcasm or argument that provokes the prospect or puts him in an uncomfortable position, there are cases in which an overbearing, egotistic prospect must be made to see his own illogical position before any good impression can be made on him. Sometimes, therefore, it is necessary to reduce the prospect's argument to absurdity. For example, a retailer on whom a newspaper advertising solicitor had called repeatedly kept insisting that he did not have to advertise, that he did not believe in it, and so on. Finally, the solicitor asked why, if he did not believe in advertising, he kept putting attractive goods in the windows and on the counters to attract attention. Why, if it was worth while to attract the attention of those who happened to walk past the store, it was not worth while to draw the attention of those who did not happen to walk past the store but who read the newspaper regularly and needed that merchant's goods as much as those who did walk past or come into the store. Thus, the merchant's argument was shown, by his own practice, to be absurd.

Argument That is Beside the Point

Much argument fails because it is *beside the point* and has no strong bearing on the issues. Sometimes this ignoring of the real question is due to a failure to see the important point; some-

times it is merely a case of misrepresenting the other man's position in order to dodge a hard question. It is an old subterfuge, in argumentation, to dodge the real issues and attack some one's character or motives. Though this sort of argument is fallacious, it frequently makes an appeal to the emotions, and influences those who do not reason carefully. Such methods of arguing can be met by pointing out that certain contentions are beside the point, have nothing to do with the real issues, and insisting that attention be confined to the real issues.

A salesman said to an irate prospect: "You may not like me or my way of doing business. I may have offended you when I did not have the least idea of doing so; for that I am very sorry. I am human and make some mistakes. But let's drop that question, for it really has nothing to do with these goods, and, whatever you may think of me, you can't get away from the fact that my goods are what you ought to have."

Use of Illustrations

One of the best and most common ways of making an argument clear is to use appropriate illustrations. An illustration is an example, comparison, or anecdote used to explain a point. Language in which illustrations are used is classified in various ways by rhetoricians, but here illustrated language may be treated generally as a whole. The use of hypothesis and the parallel case have already been mentioned. The value of the illustration is that it is vivid. Abstract argument may be not clear to the prospect, but when the salesman uses familiar things as illustrations, the point is seen at once. Abraham Lincoln was fond of using homely illustrations to make his points clear. A good example is that instance where on being urged to change generals at a critical period, he said that he didn't like to swap horses while crossing the stream.

It is an old but still effective method with clothing salesmen to say that certain goods wear like iron; and this familiar illustration usually makes a good impression despite the fact that cloth is very far from being like iron.

It is not advisable to use long stories as illustrations in sales work, for unless they are very pertinent and are unusually well told, interest is not sustained, and there is danger of diverting attention from the important matter at hand.

Too much stress cannot be placed on the importance of simple language and familiar examples that the prospect is sure to understand. An illustration from classic literature may be ineffective because of the prospect's unfamiliarity with the classics,

while a simply stated example based on well-known facts may be just what is needed to clinch a point.

The Socratic Method

Sometimes the Socratic method of arguing may be used effectively. This method takes its name from Socrates, a famous Greek philosopher, who carried on an argument largely by using skilfully planned questions that drew from his opponent information and admissions that substantiated the points Socrates wanted to make. This method is followed in the extreme by attorneys, who are favored by having before them a witness who is required to answer all proper questions. While a salesman cannot adopt brow-beating tactics and act as if he had a right to require his prospect to answer questions, skilful questioning will often enable him not only to learn what obstacles his argument must overcome but it will also secure admissions from the prospect that can be used to great advantage.

Most men of substantial character have a certain amount of pride in their word, and having made an admission, will stand by it. Therefore, it is important for the salesman, at strategic points in his canvass, to secure admissions that certain things are true. As a matter of tactics, when securing admissions, the salesman should begin with statements that are so obvious that the prospect can hardly avoid agreeing, and then gradually work up to the points on which it is not so easy to secure assent.

Refutation

Before sales can be closed it is often necessary to refute many of the prospect's or opponent's objections. In most canvasses, the discussion between salesman and prospect is very free and objections will ordinarily come up and will be met one at a time. Sometimes, however, rival salesmen are required to appear before a board of directors, or managers, or a purchasing committee, and each salesman has the opportunity to present his case. On such occasions, a salesman near the end of the proceedings may find that he has to meet three or four points that a rival has made in favor of his, the rival's, goods. While such occasions are not as common as those in which the salesman deals with a single prospect or appears unconfronted by rivals, these few occasions are usually those in which large orders are involved, therefore, to come out victorious, the salesman must possess considerable debating skill.

Inasmuch as refutation is argument of a negative sort, that is, argument showing that the points of the opposition are not

well taken or not strong enough to win, the salesman should aim to refute only so far as is necessary in order to prepare the prospect's mind for the positive argument that is to follow. Usually it is not necessary that every point of an opposing argument be answered in detail; an insignificant point should not be honored with special attention. Often when a few of the leading points are taken and a strong attack is centered on these, the secondary points can be safely ignored. A short, concise, powerful argument has much in its favor, particularly if the salesman shrewdly leaves for his closing argument that important point on which he has a decided advantage.

An important preliminary in refuting is to make clear to the prospect the argument that is to be refuted. For example, "The claim has been made that the Blank typewriter is more durable than our machine." By thus stating the opposing argument clearly, the prospect's mind is refreshed and is in better condition to appreciate the refuter's contention. Having stated clearly the point to be refuted, the salesman should then, if possible, show why the point or claim is not well founded, should point out any existing fallacy in the conclusion, etc.

The next step is to introduce positive proof or a strong inference that the truth is exactly the opposite of what the opposition aimed to show. For example, the opposition has made the claim that the Blank machine is superior in point of durability. This claim may be attacked by the argument that the Blank machine is a new machine and has been on the market for only a year. As actual hard use for a long time is the only proof of durability, the durability of the Blank machine is only an assumption, which may not turn out to be true. This argument having been set forth fairly, the salesman can then score strongly by citing the older life of his own machine and introducing positive proof in the form of letters showing that the machine has been used without any considerable expenditure for repairs for a number of years.

When a point has thus been handled effectively, the salesman should pass on confidently and not run the risk of impairing his argument with repetitions. It is in refutation that the debater's method of argument is of the greatest usefulness. The refutation should begin with a strong point, so as to make an early good impression; other fairly important points should follow; and the concluding argument should be either a summary or the salesman's strongest argument, so that the canvass ends with a strong climax.

THE SALES PROCESS

SALES campaigns, and even single sales, may be compared to a battle. The director of a military campaign first sees that thorough preparation has been made, for unless there has been sufficient training of the force and ample ammunition and other equipment have been provided, success is not likely. But even when the training has been thorough and the equipment is ample, there must be a skilful directing of the details of the attack. So, in sales work, after a man has had his general training, his management of the details of his attempts to gain the favor and patronage of his prospective customers must be skilful or the greatest success need not be hoped for. He must carefully look after the details of his work from the first step to the last.

Stages of the Process of Selling

A sale, from a business or a legal point of view, may be defined as the coming together of a seller and a buyer in an operation or process by which, through mutual agreement, the possession of something is transferred. The result of a sale is an exchange of goods or service from the seller for money, or its equivalent, from the buyer.

A sale, however, is not a single step but a series of steps, though sometimes the entire process is very simple. For example, when a boy on the street cries "Paper?" and a passerby signifies that he wants a paper, hands the boy a coin, and receives the newspaper, the sale is quickly completed. Here, the usual steps or stages in the selling process are merged into a short process, because the newspaper reader knows what he wants at the outset, and does not have to be told what a newspaper is or the use that he can make of it. If all sales were made under similar circumstances, there would be little need for salesmen.

But usually the process of selling is more complex. Buyers do not always have their minds made up in advance; they do not know the value of all the things that are offered for sale. The consequence is that, ordinarily, the five following steps must be taken before the point is reached where goods are exchanged for money. Preparation for approach, approach, building up the interest, closing, maintaining the sale or holding the customer.

This division of the sale into five progressive steps, or parts, is one that comprehends every act affecting a sale. Three of

the five divisions have to do with what occurs between the salesman and the customer when the two are face to face; the first and the last have to do with what takes place before and after the interview. Most sales conform to this general course. In some cases one or more of the steps may be omitted, but they are not likely to be transposed. A salesman may be able to secure an order immediately on securing attention; in that event, the demonstrating process is eliminated. But one will never get the order immediately on securing attention; in that event, the rarely can one successfully attempt a demonstration before having introduced his business.

PREPARATION FOR APPROACH

Locating of Prospects

One of the first things to which the salesman must naturally give attention is the locating of the people with whom he may reasonably hope to do business. The salesman whose work lies in a store has this problem largely settled for him; the advertising, the window displays, the previous dealings of customers with the store, bring in the prospects. If he makes the most of his opportunity, however, the inside salesman will try to bring new customers to his store. There are very few salesmen who cannot bring some additional customers to their employer's store if they make a diligent effort.

The outside salesman has no big attractive place of business as a magnet with which to draw people. He has only a fund of information and perhaps some samples. He is usually left, to some extent, to his own resources to find customers. Often before going to a new town to endeavor to sell to dealers or other business firms, the salesman will carefully look up the standing of all concerns in that town to which he could reasonably hope to sell, using the commercial agencies, the banks, or other sources of information. If this is not done beforehand, information may be gained from hotel keepers and bank cashiers after arriving at a town. However, a single local source of information may be prejudiced, and the salesman must be on his guard against this.

Successful salesmen usually try to get the names of other prospects from every one on whom they call, whether they have been successful in selling to them or not. They know the value of personal references in calling on a new man. Such a remark as "Your friend, Mr. Watkins, thought you would be interested" at once greatly increases the chance for attention and consideration of the salesman's errand. When one merchant is friendly

with another in a different town, the fact that one bought a line of goods has its influence on the other. Frequently the salesman can secure letters of introduction from one buyer to a desirable prospect. Such letters are very valuable if skilfully used. The names of prospects should always be secured in an open manner, for it is a serious disadvantage to conceal, in a suspicious manner, the source of the information.

Almost every line of business affords a different method of locating prospects. Some salesmen pick up prospects by belonging to clubs, churches, and various societies. An investment salesman can find prospects by watching sales of real estate and by getting, from record offices, lists of those who own mortgages. Insurance men frequently watch for items of promotions and go to a man with the argument: "Now you are going to take out that new policy that you and your wife have been talking about, aren't you?" The granting of building permits affords a method by which those who sell plumbing fixtures, light fixtures, and heating systems may learn of openings for business.

The marriage column in the newspaper is a good list for those who deal in house-furnishing goods. Banks have found it profitable to follow up the published birth lists with appeals to parents to open an account for the new member of the family. Concerns that make artificial limbs find it helpful to subscribe to a clipping bureau and have sent to them all items that tell of cases where persons have lost legs or arms. Telephone directories are very helpful in compiling certain lists. Even city directories sometimes afford valuable lists, in that they make it possible for all the persons of certain occupations to be classified.

Window cards and window displays, both moving displays and stationary ones, the distribution of circulars from house to house or through the mail, are also used to get prospects. Prizes or commissions may be paid for prospects that customers assist in securing. It is not always necessary, however, to give prizes in order to get prospects from customers; when the right relations are maintained, customers will voluntarily give considerable aid.

Use of Lists

Some concerns have a list of people on whom their salesmen call regularly. In a number of lines it is easily possible to get lists that show nearly all of those with whom it is possible to do business. A salesman selling to the grocery trade, for example, can get a list of all the grocery stores in any city. One selling an article to hardware jobbers can get a list of all hardware-jobbing concerns. But even when lists are obtainable, they do not

represent every possible customer. A new salesman for food products might imagine that a list of grocers represented all those that he should solicit, but he will discover that it is possible for him to sell fair-sized orders to churches and other organizations that make a business of serving lunches; that a good-sized trade is also possible with restaurants, and so on. Care must be taken to keep lists up to date.

Replies to Advertisements

In a great many lines, a large proportion of the prospects are located by means of advertising. This method is followed by such concerns as correspondence schools, the publishers of encyclopedias, many automobile manufacturers, and others. When almost every person is a possible prospect for a certain article, advertising is not so essential as when only a few people out of every thousand are prospects. While it is true that advertising is helpful to the salesman even if almost every person is a prospect, when this is the case, the salesman does not lose a great deal of time by trying to sell to every one. But when the article is of such a character that only one person in about three thousand is a prospect, the salesman must utilize advertising or some other method to discover the few that he can hope to do business with, or he will lose considerable time in fruitless preliminary work.

Replies to Letters

Sometimes when magazine or newspaper advertising is not practicable, letters or circulars that are so prepared as to draw out some evidence of interest are used. Within recent years, a favorite method of locating prospects for salesmen is by means of a letter that introduces the subject in an interesting way and encloses a post card that is very convenient for a response if the reader of the letter is at all interested. Usually these post cards are printed in such a way that the one receiving them has only to sign his name at the bottom of a request for further information, or perhaps put a check before some subject that particularly interests him. A post-card request for details assures the salesman attention from the prospect, which in itself is a long step toward a sale. A stamped envelope is occasionally used but not so much as formerly, as it is now thought that the sending of a stamp under such conditions is placing the recipient of the letter under an unfair obligation to reply. For many years it has been the custom among salesmen of staple lines to notify their customers and prospective customers of a call to be made in the

near future, so that business will be held until the salesman's arrival.

Advantage of Knowing Name of Prospect

It is a distinct advantage for the salesman to know, in advance, the name of the person he wants to see. If he calls at an office and asks to see "Mr. John Smith," his chance of being able to see Mr. Smith is much better than if he calls and asks "Is the manager of the office in?" The latter question shows at once that the salesman has no engagement and is a stranger to the manager. House-to-house canvassers endeavor, when leaving one house, to get the name of the people living next door, and when they make a sale they find it to their advantage to have the customer give the names of a number of friends.

It is important, too, to find out beforehand who is the right man to see. It does little good to go blindly and find out afterwards that all the time and argument have been spent on a subordinate who has no authority or influence in the matter.

Concerns that keep lists of prospective customers usually record the name of the man to see, so that the salesman, before starting out on his trip, may make a memorandum of the name. Of course, when inquiries are received through advertising, the name signed to the inquiry is usually, though not always, an indication of the proper person for whom to call.

Advantage of Having Information

Not only is it desirable to be sure of the full name of the prospect and its pronunciation, but it is advisable to get some idea of the character, the hobbies, or the needs of the person on whom the call will be made, so that the salesman can be prepared when he calls. If there is no opportunity to see the prospect previous to the actual sales interview, the most reliable sources of information should be sought. The salesman can usually find out something about the prospect's leading characteristics, his likes and dislikes, and his affiliations. If he is a church or a fraternity enthusiast, the salesman will know that an apt and timely allusion to these interests will probably dispose the prospect to listen more favorably. If he is a man who is intensely interested in the fine arts, the salesman can get a point of contact with him by telling him, at the right time, something bearing on artistic matters. If the prospect is known to be narrow and close-fisted, croaking always of hard times, an appeal to his sense of economy is perhaps the strongest one that can be made. Where the prospect has had any previous relations with the house that the salesman

represents, the salesman should be fully informed of any matters that he should know about in order to deal with his man intelligently. If there have been disputes, the salesman should know what they were about. But this preliminary information must be used with great skill and tact. The clumsy betraying of the salesman's knowledge of the prospect's hobbies would likely show immediately that the salesman was merely making use of this information to gain an opening and would tend to make the prospect antagonistic.

In some sales offices, the files give a pen picture of the man who should be seen. A highly successful advertising solicitor maintains a file that shows that a certain man is much interested in Sunday-school work, that another is fond of golf, and that still another man was born in the South. This information at times proves very valuable.

If the salesman knows the prospect or has a chance to see him before the sales interview, he has the opportunity to make personal observations that will be of assistance in deciding what to say and how to say it. Where it is possible to collect such advance information, it should be done, for this may enable the salesman to establish a point of contact. The salesman labors under the disadvantage that other salesmen are likely making demands on the prospect's time, as well as the fact that he has had no chance to become acquainted with the prospect. Therefore, he should be keen to get any advance data possible on the character or habits of the man he expects to interview. Often by his advance knowledge of a man's views, a salesman can not only avoid blunders but also make great headway toward accomplishing his purpose.

For example, a salesman who desired to see the president of a certain large corporation was told by an acquaintance that this president had the habit of picking up letters and other things around his desk and looking at them as if he were not listening to what the man before him was saying, though he was actually giving attention. With this knowledge beforehand, the salesman, once started, went confidently on with his argument, whereas without being previously told of the prospect's eccentric manner, he might have been puzzled and embarrassed.

If possible, the salesman should be armed with a knowledge of the experience the prospect has had with goods similar to those the salesman sells, the class of trade to which he caters, how rapidly his business is growing, and whether he expects to extend his business. The salesman has a distinct advantage if he is able to show the prospect that he knows something about

him. The prospect does not know how much the salesman knows, and is less likely to give the usual excuses for not buying. This, however, is the least important of the reasons the salesman has for learning all he can about the prospect's business. The most important reason is that the more he knows about the business of the prospect, the better can he adapt his argument to the prospect's special requirements. Every point the salesman knows about his prospect's affairs is likely to suggest a selling argument. Suppose, for example, that an automobile salesman has learned that a doctor is interested in buying a machine, and that the doctor's wife would like to have the purchase made, so that she can have the use of the machine during the doctor's office hours; this information can be used to great advantage.

Out of the mass of points with which the salesman prepares himself in advance, one of these is likely to prove more effective than he had expected. Every successful salesman can recall occasions when some point previously considered a secondary argument brought a gleam of interest that was developed and turned into a decision to buy.

Disadvantage of Lacking Information

A man in a new territory must expect to be greeted with "We are not in need of any goods at present." "We have regular houses that we buy from and we do not care to start accounts with any new firms." If the salesman has anticipated such a reception, which, under the circumstances is only reasonable and natural, his ability to secure a hearing depends on his previous preparation and skill in handling prospects. The preliminary canvass must be worked up so as to arouse the prospect's interest in the salesman's business or in some particular article.

The folly of being unprepared to meet conditions that can be easily learned about is shown in the following: A salesman of steel products called on the buyer for a manufacturing concern that required a very hard grade of steel for its dies; the steel it was using at the time was fairly satisfactory. The interview soon reached the point where the buyer said, "We must have steel just so hard." To which the salesman confidently replied, "Ours will be satisfactory." When asked why he said that, he replied, "I know it." But he could not refer to any experiment or experience that showed his steel would prove satisfactory under the required conditions. He was in the position of that other salesman who merely kept repeating, "I can convince you" to a prospect, without introducing anything that convinced. And the technically trained buyer was not, of course, convinced by mere

assertions without fact or reason to support them. This salesman could have learned beforehand what was required of steel in that branch of work and gone prepared to meet the conditions. This is merely another example of the great truth that, in the long run, everything else being equal, the salesman who achieves the greatest success will be the man who understands his own product and the prospect's business the best. The average buyer smiles to himself when he sees, from the salesman's canvass, that he is in the dark as to how his product will fit into the needs of the man before him; but he listens with interest when the salesman shows that he is able to offer some helpful suggestions.

Sources of Information

The commercial agencies will inform the salesman as to a prospect's rating. In some cases, a request may be made to a bank reference to furnish a report on the prospect's financial standing. Usually the credit man of a large concern will be able to give the necessary information on this point or can get it readily. The customer's advertising matter will often give hints as to which department of his business he is most eager to push. Fellow salesmen that one meets in the hotel or on trains, the hotel proprietor, and other business men in the same community, are also possible sources of information.

Arranging the Interview

When the salesman has gained as much advance information of the prospect and his business as possible, he must consider the conditions under which the sale is to be made. It is the salesman's business to plan the appointment with a view to securing the most favorable conditions. Whether that place should be the customer's office, his home, some public meeting place, or the salesman's room at the hotel, is a matter to be determined by the conditions in each case. One important thing is to insure freedom from interruption while the selling talk is in progress. If possible, the interview should be held at a time when the customer will be free from business strain and is likely to be receptive.

When selling to retail dealers, a salesman usually has little choice as to the time and place for the interview. He has so many hours in a town and so many calls to make; he cannot always wait for the best time to see his man but must call at the store and take his chance.

Advantage of Right Surroundings

There is always one best place to make the sale, though it is not always possible to get the customer, the place, and the salesman together. Many concerns prefer to have the prospect go to a sample room or to a well-equipped demonstrating room, but it is not possible to get every prospect there. A great advantage has been gained when a prospect leaves his place of business and meets the salesman on familiar ground where the salesman has made careful preparation for the visit. A man's place of business is, however, where most sales are made. It has the advantage that the prospect is used to buying there; buying is a part of the regular routine. Some men refuse to do business at their homes. Yet, meeting the customer at his home has its advantages. Usually he is more nearly care-free; he has more time; his mood may be better.

To get the customer's best consideration, he should be approached alone, if possible. Group sales are particularly difficult; there is too much chance for interruption. But life-insurance salesmen and salesmen handling specialties that appeal to both man and wife, frequently make it a point to get the two together for a talk. Where latitude is possible in choosing the right surroundings, the shrewd salesman will take advantage of it. To a great extent, however, he will be obliged to work with the customer in the surroundings in which he finds him.

The Approach

The preliminary size-up is the study of the lay of the store, office, dwelling, or other place at which the interview will likely be held, the position of the customer's desk, or the other surrounding conditions that may help or hinder the sale. If possible, the salesmen should know where to go, immediately upon entering the store or room. A brisk unhesitating movement counts for much. It indicates that the caller knows his business, will transact it quickly, and get out. The dawdler always hesitates, and every one likes the man who shows by his manner that he knows where he is going and what he is doing. One very successful salesman says he makes it a rule, as far as possible, to walk right on in the direction where his man may be found, never stopping to ask questions unless required to.

Mental Attitude of Salesman

A salesman might as well make up his mind, at the outset, that he will not be able to see and make a favorable impression

on every prospect on whom he calls. There are too many salesmen calling on people for this happy result to be realized. Though he must be determined to do his utmost, he must expect turn-downs and be prepared to accept them as the fortunes of war and smilingly to brace himself against discouragement. If business were to be had everywhere for the mere asking, there would be no need for earnest, persistent, tactful salesmen. The constant dripping of water wears away the stone, and the modern salesman keeps on determinedly, hoping that his diligent, tactful work will eventually produce the desired result. Buyers expect this, and respect the man who puts up a strong, tactful fight for his commodity, whether it is insurance or automobiles. While the buyer is usually instinctively on the defensive against the man whose errand is to induce the spending of money, he really feels a little pity or else contempt for the salesman who can be put off easily with a stock excuse. Let the salesman remember, therefore, that he has all to gain and nothing to lose by putting his best foot forward everywhere he calls.

No man ever won success without thinking success. He cannot go out expecting to fail, and win. The correct mental attitude is all important. The salesman who makes his call with the air of a man expecting to be turned down will, ten chances to one, be turned down. He can win his full measure of success only by a thorough enthusiastic knowledge of his goods, as full a knowledge as can be gained of the prospect's needs, and an unconquerable purpose and self-reliance. When asked to explain a certain salesman's remarkable success, a friend said, "Oh, he's Irish, and never knows when he's licked." Not every man is born with such dogged purpose, but there are thousands of aggressive successful salesmen who at first were hampered with diffidence and lack of strong purpose. By sheer will, however, they forced themselves on to better and better work and soon overcame the foolish man-fear.

Manner of Making Approach

There are some things to which a salesman should give close attention. He should not be a boisterous talker or attempt to be familiar. Many a buyer is prejudiced by a salesman's noisy style and his familiarity. It is not well to point a finger in a prospect's face or to slap him on the knee unless the salesman knows him very well indeed. As a rule, the prospect should not be interrupted; there is danger of offending and prejudicing him if what he has to say is not listened to attentively. A salesman should not whimper about grievances and disappointments; the

prospect probably has worries enough and he admires the man who can take his bumps and keep smiling.

It is essential that a man avoid the ordinary "give me an order" talk. If the canvass is strong, the matter of giving an order can be brought around tactfully and casually, whereas to start off with a blunt request or an order may increase the prospect's natural inclination to resent.

Examples of Successful Approach

In the effort to make clear the principles of successful selling, there will be given here various examples of successful approach, but it would be unwise to take the few instances that will be quoted as guides as to how one should proceed to get a hearing and secure a prospect's interest. What would be advisable in one case would not be in another. A successful seller of food supplies very cleverly gets a hearing by driving around in a handsome carriage. The very novelty of her method gains her admittance to city homes, but were many salesmen to adopt this method, the novelty and effectiveness would be lost. A thousand instances of successful approach could be studied and even then the young salesman would have to act in accordance with the circumstances of each case rather than follow any cut-and-dried procedure. Yet he can draw a lesson from every successful approach, demonstration, and closing.

Sometimes buyers, by refusing to see salesmen, get a reputation for crustiness that they do not always deserve. A shoe salesman tells of a buyer for a shoe house in Seattle, who has such a reputation. One evening four shoe salesmen, including this salesman, met at a hotel in that city. Three of them had sent in their cards to this buyer, but not one had succeeded in getting an interview; therefore, when the new arrival spoke of calling on the buyer the next morning for the purpose of showing him a line of shoes, the other men said he was attempting an impossibility and even went so far as to offer to pay $25 if the fourth man succeeded in getting the interview.

The new arrival was a fearless fellow and at 9:40 the next morning he went into the store, dropped his sample case, and walked into the private office unannounced. The buyer, who was seated at his desk, looked up rather surprised. Putting out his hand and smiling, the salesman said, "How are you, Mr. C.?" Mr. C. looked the intruder over; "Never better," he replied. He took the salesman's hand, and inviting him to be seated, asked, "Well, what can I do for you this morning?"

"Just congratulate me," replied the salesman. "It is just

this way: You have a reputation of being the hardest man in Seattle to approach and I have just won $25 by merely getting you to shake hands with me. I understand your next move will be to throw me out of your office. Before you do this, though, I want to sell you a line of shoes. So if you will delay the last formality for a few minutes, I will give you a look at the finest line of samples you have seen in many a day." Later on, Mr. C. congratulated the salesman's firm on having such an energetic salesman in its employ.

Selling From House to House

A house-to-house salesman tells how he secured an interview with a housekeeper who had the reputation of refusing to do business with salesmen who called at her home. "As I finished my canvass at her neighbor's house, I was again reminded of the fact that Mrs. Howe was a hard woman to sell to. Mrs. Brown, with a characteristic feminine wink, jerked her elbow in the direction of the Howe stronghold and said, 'Don't you dare go in there, she's death on agents; why, she'd most eat you alive.' I replied that I would willingly be a martyr to such a good cause.

"Mrs. Brown's dire prediction, though calculated to take the starch out of the boldest salesman, served only to drive me straight into Mrs. Howe's yard. I marched up to the front door with the air of one who has accepted an invitation to dinner, but before I could ring or knock, Mrs. Howe stood before me. She was little—but, my! Two black eyes flashed lightning at my sample case and before I could say anything, she snapped out, 'I have no time for agents!' I looked her straight in the eye, and replied with firm courtesy, 'Mrs. Howe, I am a salesman, not an agent; and a salesman, you know, is always a gentleman.' And with that I smiled good-humoredly. Maybe my ready reply got her, or maybe it was the smile. At any rate, her wrath melted like a sherbet in July. Before I left, she assured me that she had just begun to appreciate the difference between an agent and a salesman. And I marched out of that house carrying with me her good-will and a $12 order, besides an invitation to call and meet her husband, who is a judge."

Another house-to-house salesman says: "I had made several attempts to gain an entrance to a rather large mansion occupied by a Mrs. H., but was constantly met at the door by a Chinaman, whose only words seemed to be 'lady out.' In calling on neighbors, I finally learned that Mrs. H. was never known to deal with salesmen and had a very strong aversion to aluminum ware, owing to the fact that she had purchased an inferior grade

that had been misrepresented to her. Therefore, none of her friends seemed inclined to give me a card of introduction to her. But I kept on trying.

"At last one day the Chinaman presented my card to Mrs. H., with the result that she came to the door and immediately looked about for my sample case, informing me that she had no dealings with agents. I told her I was not selling anything that morning but merely showing samples of Wear-Ever aluminum cooking utensils. At this she lost control of her temper completely, began waving her arms up and down, informed me she had experimented with aluminum and did not want any more. I could not get in touch with her better feelings and had to be content with simply asking to be shown the troublesome utensil. After considerable explanation as to the merits of Wear-Ever, I finally got her cooled down sufficiently to allow me to step into the hall, whereupon she brought me an aluminum saucepan which was bent out of shape and warped by excessive heat. I then asked permission to show my handy kettle steamer in which several tests had been made, also showing the testimonials signed by some of her personal friends. She agreed that Wear-Ever, as shown by me, was superior to anything she had ever seen, but was under the impression that my samples would be of a better quality than goods delivered. I, therefore, arranged to inform her when my next shipment would arrive, goods that I would be delivering to other customers. Accordingly, when the shipment came to hand, I telephoned Mrs. H., who made a thorough examination of the goods, and declared they were really superior and actually cheaper than anything she had known or seen in aluminum, and, as a result, I received a $30 order."

Approaching a Large Powder Buyer

The president of a company that manufactures a new explosive determined to work for the adoption of the explosive by a mining concern that used many tons of explosive every month. The star salesman was assigned to the job. It was well known that the general manager of the mining company was a hard man to do business with; that when he once adopted an article he was not at all inclined to consider competitive goods, so the salesman had to plan a roundabout method of gaining his interest. His first move was to go to the mining camp with an assistant and a supply of the explosive, seek the general manager, and ask permission to experiment with a few shots in that company's unusually tough ore. He did not talk about selling the powder.

As the Saturday Evening Post relates the incident, the con-

versation was as follows: "I represent the D—— Powder Company; but I'm not here to try to sell you any powder," said the salesman. "I came to ask a favor. As you know, our company has just turned out a very remarkable new powder. It's different from anything that has been made before, but I don't mean to take up your time telling about it. The point is, we've fired more than two thousand shots with this powder in quarries and in mines—in granite, bluestone, shale, coal, and zinc ores—but we've never seen just what it could do in a hard tough ore of the sort you have here, and we'd like permission to load some holes at our own risk and expense to see just what we can do."

The general manager eyed the salesman up and down. "I don't see why we should drill holes into rock to have you experiment with them, do you? Suppose your powder misses fire; then I've got a batch of holes to draw, eh?"

Across the face of the salesman flitted the suggestion of a smile. "We're just two years beyond the experimental stage, sir," he said. "If there are any missed holes I and my assistant, outside there, will draw them. We certainly would not expect you to take any chances."

"Where have you got this powder?"

"Right outside, in the back seat of a surrey, 240 pounds of it."

The general manager thought for a minute, though he looked bored and weary. Then he scribbled a note on a pad and handed it to the salesman. "Take that to the head-house of shaft number six and the superintendent will give you what you want," he said. And the salesman had scored his first point.

In the mine connected with shaft number six there were thirty 10-foot holes to be fired just after the second shift's quitting time. The salesman turned his 480 ½-pound cartridges over to the superintendent.

"That's only enough for 8 pounds to the hole, and we never use less than 10," he protested.

"If you'd put 10 pounds of this powder into those holes you'd come near blowing the roof of your mine off," the salesman answered. "You'll find 8 pounds of this stuff equal to 12 of the strength of dynamite you use." The salesman turned as if to go away, but came back. "I forgot," he said. "Just tell that blasting foreman below to forget that he is handling dynamite. Tell him to load just as usual, wet holes, dry holes, or any old holes."

When the holes below were being loaded, the salesman and the superintendent adjourned to the blacksmith shop.

"It's really interesting stuff all right," said the salesman, casually producing a baking-powder can filled with loose powder.

"It's the safest powder that chemistry will ever be able to devise. You simply can't make it go off unless by both percussion and fire, and then only when it's confined. Wait till I show you something." He set the canful of powder in a corner of the shop, drew a 32-caliber revolver and, before any one could realize what he was up to, he had sent a bullet crashing through the explosive. "You wouldn't dare do that with dynamite, would you?" He stuck a forefinger through the jagged bullet hole and scooped up some of the powder that had spilled on the floor. "Why, you can take that stuff and pound it with a sledge, and it won't go off."

He placed a teaspoonful or so of the powder on the anvil and hammered it. "I'd pound up a whole cartridge of it like that, only I couldn't make you stay to look at it," he announced. He spoke without enthusiasm, as if stating a well-known fact—that you couldn't get hurt hammering so much table salt. "Light it with a match and it simply flares like so much flashlight powder—see! You wouldn't think it, but you could hurl a ton of that down one of your 1,200-foot shafts and it would land and mush up like so much bran or Indian meal. Using that powder means that never again would you have a man injured by accidental explosion."

The circus stunt with the powder had drawn out the miners as no amount of mere talking could have done. The superintendent, two blasting foremen, and a couple of blasters stood in a circle eying samples of the mysterious grains, smelling them, and rubbing them between their fingers while they listened with the rapt attention of so many American District Telegraph messengers taking in the stunts of a street faker.

"The best of all is," the salesman mentioned casually, "the stuff is so cheap we'll be able to undersell the strongest dynamite by $10 a ton; and as for strength—well, you'll see after they've fired down below."

The superintendent invited the salesman to the office near the head-house and from there he called up the general manager on the telephone. "This new powder man up here has something you may want to see for yourself. What? Yes; worth looking at, all right. We're going to fire in about an hour." When the general manager came the salesman had to repeat his experiments for his benefit; and finally, when the blast was fired, the men on top of the mine exchanged glances. The ground had lurched beneath their feet with a sharpness that was promising.

Right after the blast, the salesman and his assistant started for the bucket to inspect the execution; but the miners would not follow.

"You'll be overcome by fumes," a blasting foreman warned.

"Not with this powder. It has no fumes to it, nothing but a thin light smoke," the salesman answered; but not until he and his man reappeared would the others venture down. When they saw they laughed, so satisfactory was the execution.

That evening the salesman let his assistant drive the surrey down the hill while he himself went home in the general manager's automobile, during which ride he spoke of prices, terms, and discounts. Following dinner that night, the general manager came to the point.

"My present contract has another six weeks to run," he said. "After that I think I'll use your powder. Send me 1,000 pounds of it for further trial; and if it behaves as it did today the contract is yours."

Other Resourceful Methods of Approach

A very successful subscription solicitor inquires, when the door is opened, "Did you receive a sample copy of S. Magazine the other day?" When the reply is "No," he remarks, "Well, I have a copy here that I can give you." He finds that this method engages the attention and gives him a better chance than the abrupt opening of the solicitation.

Salesmen of vacuum cleaners have found that a good method of getting a hearing is to offer to clean a rug or a room and thus get a fine chance to demonstrate the machine. The fact that the vacuum cleaner will remove a great deal of dirt from a rug that has just been cleaned by ordinary methods is impressive to the housekeeper.

A man was anxious to interest a capitalist in a new venture. Knowing that the capitalist would draw close into his shell at the mere mention of taking stock in the new enterprise, the man who needed the capital sought the interview on the plea that he wanted the capitalist's views, which was true, for that matter. But when the facts were laid before him, the capitalist offered to take stock in the enterprise.

An accident-insurance company found that whenever the adjuster went out to arrange for benefits to a policyholder, he could use that incident as a means of securing other policyholders. John Smith's neighborhood was unusually susceptible to the solicitor's argument when it learned that the solicitor had just called to fix up a $10-a-week benefit for Smith. This immediately suggested to the insurance company the advisability of letting each solicitor arrange the benefits for the policyholders he

had secured; and thereafter the solicitors had a most effective way of approaching prospects.

These are a few examples of the resourcefulness that counts. Such salesmen, when they find that ordinary methods will not secure a hearing, devise special plans to meet the peculiar conditions. As has already been said, no rules can be laid down for the forming of such plans, except the general rules of securing all the information possible, exercising self-control, and being fearless, courteous, patient, and persistent.

Overcoming Objections

It should not be imagined, because of the sales experiences here related, that the salesman everywhere meets with difficulty in getting a hearing. Often his work is easy, but he should be prepared to win hard victories as well as easy ones, for every hard victory strengthens him for other battles of wits. It is a great deal of satisfaction to an ambitious salesman to overcome obstinacy and to show himself to be a stronger character than the one who has resolved, often with no reason whatever, not to do business. The truth is, of course, that the prospect does not usually know the merit of what the salesman has to offer, and he comes in contact with so many people eager to exchange something for his money that it is not strange that he has acquired a defensive or suspicious attitude. But usually the man who is on the defensive and insists on having things shown clearly before he acts is a customer worth acquiring, one who has the money to pay for what he buys.

It has been said that diplomacy in salesmanship requires the salesman to agree with the prospective buyer as far as possible, in order to avoid creating an antagonistic attitude. This is good general advice, but the successful salesman often disregards this rule as he frequently does others. It is sometimes necessary for him to disagree with the prospect and to show why his views are erroneous. For example, a man looking at cravats in a high-grade men's furnishing store said, "These are all loud patterns." "No," said the salesman courteously, "they really are not. You see, with the high-cut vest that is being worn now, the cravat must be a little stronger to get a show. You won't find any of these cravats a bit too strong."

He was exactly right, his explanation was clear, and the customer not only knew the truth when he heard it but was secretly glad to get a little more light on cravats from a man who made a specialty of studying and selling them.

Truth is one of the greatest powers in the world, and the

earnest, honest, energetic salesman, well informed on what he has to sell and familiar with the application of his product to the needs or business of the prospect, needs no set of rules to guide him in his interviews.

Meeting Discourtesy

Right approach is the antidote for the discourtesy that a salesman may meet when on the road, but this discourtesy is greatly magnified. A manager of sales of a large institution employing six or seven hundred men once said to them in a convention: "I have heard a great deal about salesmen being 'thrown out.' Has any man here ever had that experience in his work as salesman?" There was not a man who could say that he had ever received such treatment.

It is fair to suppose that the discourteous attitude, while it may be common, is not anything that the salesman need fear. Often, in fact, this attitude on the part of the customer is complimentary to the salesman. Some men fear if they listen that they will become convinced and buy. Indirectly they pay a tribute to the salesman's powers of selling.

It is necessary, sometimes, to meet a little rebuff very courteously. "We don't want you around here bothering us," said a surly superintendent to a woman who asked permission to solicit memberships for the Young Women's Christian Association among his employes. Had she allowed herself to become insulted and given him a lecture, her errand would have been fruitless. But she smiled graciously and said, "I have not come to bother you; I have come to help you, and I want a chance to show how I can do it."

Greeting the Customer

The customer's surroundings, if he is responsible for them, aid in determining what is the best manner of greeting. A motto from the writings of a Greek philosopher indicates one thing; a racing scene another. A desk kept precisely calls for a precise approach; a sloppy, careless desk usually indicates that a little breeziness in the approach will not be resented. The working tools a man keeps about him indicate his habits and preferences. The salesman's powers of observation should aid him in judging quickly how he should proceed.

The Salutation

Few persons say "Good morning" or "Good afternoon" well. It is possible to put a great deal into two words if the salutation

is delivered well. The words should be spoken clearly and cheerfully, as if the salesman felt that the world was going well with him and he wanted to bring good cheer and success to others. It is a real pleasure to get a "good morning" from some men; with others the salutation that, with a good tone, may be made to carry so much, sounds more like the bark of a small dog. The ambitious salesman should practice giving the salutation until he can give it heartily and courteously, yet without gush. Some sales managers put their men through exercises, in order to train them to greet patrons in the most commendable manner.

When the prospect is known, the salutation should include the name, as "Good morning, Mr. Wilson." When the name is not known, it is a little more respectful to say "Good morning, sir," or "Good morning, madam." Middle-aged and elderly women especially will be pleased with the addition of "madam." Never say "Good morning, mister," or "Good morning, lady." "Good morning, miss," is not regarded as good form for a woman who is grown or nearly so, but does not seem out of place in addressing young girls.

The salesman, on approaching his man, should judge first of all whether the prospect expects to shake hands or not. He should have his hand ready, but not seem rebuffed if the prospect does not offer his hand. Should the prospect be favorably inclined, a firm handshake is a good introduction. There is an art in handshaking. Some men extend the hand as if it were a cold mackerel, or give a dish-rag sort of flop. Others unconsciously squeeze the hand of the other person too hard. Handshaking is a good thing to practice until one has the knack of giving a hearty, firm, but not too long, shake that bespeaks manhood and good-will. It is not usual, in retail salesmanship, for the salesman and the customer to shake hands, though it is done when the two know each other well; handshaking in retail stores is more common in small towns than in large cities.

Position During the Canvass

When the salesman has entered the room, if the customer is at his desk and accessible, the salesman should note the position that callers occupy but should be guided by his instinct in determining whether to sit or stand. It is sometimes better tactics to wait until invited to take a seat. If the man the salesman is to talk to is engaged or has his back turned, it is well to wait courteously or else have the stenographer, if one is present, notify the prospect. By this means, the slight resentment the prospect may feel in being interrupted will not fall on the salesman.

It is important to take a position, if possible, that will give the salesman the undivided attention of the prospect. A salesman who called regularly on grocers discovered that if he faced the back of the store while the grocer faced the front, the grocer would be continually diverted by the sight of customers coming in, and would excuse himself often to attend to the customers' wants. This salesman then tried always to get behind the grocer, so that the grocer would look toward the back of the store; he found this a big advantage.

A salesman should never sit or stand in such a way that the light will shine directly into his eyes, for this places him at a disadvantage. It is a good plan to get close up to the prospect, but some salesmen go to extremes and get their faces so close that the proximity is disagreeable. Some men seriously object to having the salesman draw up his chair and put his face up close to theirs.

There is something to say in favor of sitting as well as in favor of standing. When seated, after an invitation, the salesman is on more intimate terms with the customer at once. He can talk in a lower tone; he can more easily display samples; he can hold attention better. A salesman should never take the chair that the prospect is accustomed to using nor should he take an easy chair and slouch or sprawl in it.

Standing, the salesman is physically more forceful. The customer must raise his eyes to look at the salesman. The standing salesman takes a more erect attitude and perhaps thinks more freely. Although his chance for a long interview is lessened, he speaks more to the point.

Getting a Hearing

It is often a problem to discover how the neutral or antagonistic attitude of a prospect can be overcome. It may be necessary for the salesman to make a long-range study of his man and to work out some special plan for getting a hearing. It is impracticable to suggest just what a salesman should say in introducing himself, but he should avoid remarks about the weather, the excuse that he happened to be around that way and just dropped in, etc. If some opening can be worked up that relates particularly to the things a prospect is interested in, the salesman will find it a great help to open that way. If he has learned that a manufacturer is making an effort to reduce power expense, the salesman may have an effective opening in a remark such as, "I hear, Mr. Brown, that you are giving special attention just now to saving on power." Most prospects will admire the

salesman who has been keen enough to find out what is of special interest to them, and thinking that a man who is keen enough to do that may have some good suggestion to offer, they will pay attention to what is said.

Beating around the bush or employing deceit is full of danger. When it seems good judgment to find some point of contact in a social subject or some matter of general interest, the judicious salesman will adopt that method, but particularly with busy men must he avoid conversation that wastes time. The man who has inquired for information will expect the salesman to go straight to the mark without skirmishing.

Value of Samples in Getting a Hearing

If the thing being sold is of such a nature that the salesman can show a sample or produce some other kind of exhibit, he should show this at once, so as to secure the customer's attention and hold it while the merits of the article are being described. Naturally, the more attractive the article is, the easier will it be to hold attention. For this reason, too much thought cannot be given to the arrangement and display of samples. The cost of a neat case or roll, the velvet lining, etc., is often the best investment that a manufacturer makes.

The man who is indifferent to the worth of samples or other exhibits that prove his argument is not doing justice to his employers. If there is any merit in the goods, samples will tell their excellence with far greater eloquence than any words the salesman can use and will interest many buyers whom the salesman could not hope to sway by mere oral argument. There is a tangibility about a purchase, when the goods themselves are seen, that is not present under other conditions. Quote a man a price on an article and show him a picture of it, and he will compare the cost with the figures quoted by others; he will probably not pay proper attention to statements regarding differences in value. Lay a sample before him and quote the price and he will compare the sample with the price, with a view to ascertaining intrinsic value, and is not so likely to give attention to the prices he may have from competitive concerns. If the article has merit he will often strain a point to make the purchase. But should the customer, after seeing the sample, be unable to see any point of merit or superiority, the salesman must arouse interest through descriptions and explanations as to how the article will prove useful, give pleasure, and so on.

One of the most important details in the use of samples is that of getting the sample into the customer's hands. If there

are several samples, get him to handle each, if possible. If the product is one of mechanical features, have the prospect work the levers, turn the wheels, etc. If the goods are shoes or dress goods, have the prospect feel the goods and note the fineness, smoothness, texture, and general quality.

The salesman should always have something special, either new or old, separated from the rest of his samples, so that he can get at it quickly. The purpose of this special article is to catch the interest of the buyer in cases where he refuses to look at the full line or when he begins to show lack of interest in what he sees. This article can be arranged in a special tray or box, displayed on plush, or wrapped in silk, the idea being to make a strong and instant appeal to the buyer's eye.

Testimonials

Testimonials are invaluable supports in some lines of selling because a prospective customer is more likely to believe the statement of a user of an article than the claims of the manufacturer. Evidence that some one has tried an article thoroughly and is well pleased with results, supports an argument better than anything else. Photographs of indorsers and facsimiles of their letterheads and signatures give authenticity to the indorsements, when such matter is published. One strong testimonial that rings true is worth a half-dozen mediocre ones. The weakness of most testimonials is that they are too general. This can be avoided by asking users of the advertised goods specific questions as to how the articles stand wear, what kind of service a machine has given, or the time it has saved. Such questions will bring out the opinions of the user on definite points.

It is a good plan to see that the testimonials are from various parts of the territory that the salesman expects to cover, so that an inquirer may be referred to an indorser he knows, or at least to some one in his city or state. People are more influenced by letters from acquaintances and near-by people than by letters from entire strangers. If a salesman of farm machinery can make his first sale in new territory to a man who is considered one of the most progressive farmers of that community and then get a good letter, the way is paved for easy sales.

Methods of Using Testimonials

The use of testimonials is an art in itself. A salesman should secure a few good letters that he can use regularly; these he should read until he can readily use the matter. Then he can often argue in the following manner with good effect: "You

doubt that, Mr. Brown? It is a little hard to grasp at first, isn't it? Mr. Philip Ramey said the same thing. You know what a careful man he is. But see what he says, after looking carefully into the merits of this thing. Just read his letter."

It is a big advantage if at least some of the testimonials are on the original letter sheets, so that the salesman can put them into the prospect's hand and ask him to read them.

Only as many testimonials should be submitted as will interest the prospect; too many will bore him. The person with leisure will listen to a large number of testimonials. The busy business man, on the other hand, will want but few recommendations and these should be pointed.

Demonstration

To *demonstrate* means to show by illustration or performance. Demonstration is one of the most powerful factors in the making of sales. Argument, though very important, often fails to convince the prospect. When the salesman demonstrates what he is selling and argues by means of illustration, the argument is strengthened tenfold. For example, a salesman standing beside a bolt of unfolded cloth and attempting to tell the prospect what a fine-looking suit it will make, and how well it will wear, will not succeed as well as when he drapes the cloth across the knee or the arm to show its appearance on the figure, snaps the goods quickly so that it gives a sound indicative of strong wearing qualities, and finally puts the cloth into the prospect's hands and asks him to feel it carefully.

By the oral method, the salesman must be unusually clear and apt in description; he must command the confidence of the prospect to a large degree, if all his argument is to be believed. But the prospect is much more easily convinced when allowed to see for himself. When one has seen, in a grocery store, the neatly attired demonstrator of the Heinz products and has eaten one of the dainty sandwiches made by her or has tasted the pickles she offers, he has received a stronger impression than is ever made by printed advertising or mere talk.

Demonstration is not limited to machines, clothing, food products, and similar commodities; there is just as much art in handling a specimen insurance policy, a volume of a set of books, a fountain pen, or a massage cream, as in explaining the good points of an adding machine. The salesman who, in selling a pair of scissors, clips tissue paper to show the keenness of the edge, and the one who bounds a tennis ball on the floor to show the liveliness of the ball, are merely making use of demonstration.

Various large selling organizations print the most careful directions as to the demonstration of their products, from the first to the last step. Usually these directions are prepared after consulting many successful salesmen. The new salesman is cautioned when to talk and when to let the demonstration be its own argument. He is told when to ask the customer to do certain things, when certain explanations have been found to be most effective, and so on.

The first tactical aim of demonstration is to define the proposition and state the results to be derived, and the second to prove that these results are worth while. The demonstration period of a sale includes answering the customer's objections and correcting any misconception he may have formed from hearsay. In many cases, it includes all that takes place from the moment the customer expresses his willingness to give serious consideration to the question of buying to the time when the salesman, feeling instinctively that the customer is ready to sign the order, endeavors to close the deal.

Rules of Demonstration

A clumsy demonstration is damaging to the salesman's interests; when he blunders, the prospect is likely to magnify the importance of the blunder, consequently, the most important rule of demonstration is:

RULE I.—*Never demonstrate until the demonstration can be made with ease.*

Whenever possible, the prospect should take part in the demonstration. The professional revivalist knows that he cannot persuade his crowd into the right mental attitude by providing a large choir to furnish the music. He knows that his crowd must sing heartily and must take part in the spirit of the meeting before they are in the right frame of mind for him to proceed. Therefore, another important rule of demonstrating is:

RULE II.—*Have the prospect perform such parts of the demonstration as he can carry on well.*

Sometimes a skilful salesman, in demonstrating something like a washing machine or a churn, will have a bright child work the machine so as to impress the prospect with the ease of its operation. The salesman of the cash register is instructed by his company, when demonstrating, to have the prospect himself ring up a sale, put in the money, and take out the change. The salesman is certain to have everything in readiness, the change in the drawer, but at the proper time he invites the prospect to use the register. After doing so, the prospect feels familiar with the machine. He sees how well it works; he begins to imagine

that he is the owner of it; and altogether the effect is much better than if he sat back and watched the salesman perform.

Trial Salesmanship

Sometimes it is helpful to leave goods for trial or further examination. If a prospect thinks of buying a typewriter, for example, and the machine is left with him for a while, he will probably use it and become attached to it. Furthermore, the fact that the salesman is not afraid to leave the machine with him and have him try it alone breeds confidence. But, on the other hand, a machine may not work properly in the hands of an unskilful user, who may become disgusted and be less likely to buy than if the salesman had demonstrated the machine thoroughly and then made his hardest effort for a sale. Sales managers put it down as extra good work if a salesman makes a sale without putting the article in on trial. An outright sale can be counted; trials may or may not be sales.

Closing the Argument

Closing the argument and securing the order or the money is the most difficult part of the sale. A prospect may have given close attention, been deeply interested in the article, confessed that it is a good thing, that it might bring profit, be a convenience, or give pleasure. But to bring the man to the point of deciding to obligate himself is the real strategy of the sale. Hundreds of salesmen who can enthuse prospective buyers with an attractive and logical canvass seem unable to master the art of closing.

If the salesman talks to good purpose, where a sale is possible, there comes a time when the prospect sees no reason why he should not give the order. He has been convinced that it will pay him to buy. He is enthused over the advantages of the article. He sees clearly its points of superiority. At this point, when the mental condition of the prospect becomes very apparent to the observant salesman, it is time to close the sale. If this moment is allowed to pass without an effort being made for the order, the chances are that a little later in the canvass the purchase will appear to the prospect in a less favorable light. He will ask the salesman to call again or will offer some objections for the sake of gaining time or evading a purchase altogether. The sale must be clinched before the buying mood passes.

Objects of Preliminary Talk

The selling talk that precedes the close has two main objects. The first is to place the proposition before the customer, and the

second is the removal of the customer's objections. When the salesman attempts to close, but fails, the customer has probably some objection that has not been overcome and that he feels to be insuperable; consequently, he declines to sign the order. The salesman may then emphasize some special point of his argument, may concisely summarize his entire selling talk, or may question the prospect and thus ascertain the hindrance to the sale. Sometimes the objections met in closing the sale are entirely different from those that the salesman endeavored to forestall in his canvass.

To know when to ask for the order, the salesman must be on the alert and cognizant of what is passing in the prospect's mind. He must watch the prospect, studying his changing expression for a sign that the auspicious moment has arrived. A man under the conviction that it will pay him to buy is sure to give some evidence of the fact in words, gesture, or look. When the salesman feels that the time has come to make an attempt to close, there should be a direct change in his tactics, just as there is a change in the tactics of a general when he decides to stop defending his position and begin a direct attack on the opposing force.

Importance of Early Closing

Any lapse between the time of creating desire and the actual closing of the sale is dangerous, so the shrewd salesman will take no chances by prolonging his talk longer than is nesessary. When a man is convinced and satisfied, he is usually as ready to make the purchase as he ever will be. A persuasive effort to close the sale should then be made immediately. A man who is worked up to a high pitch of enthusiasm today may hold off tomorrow, when a call is made to complete the sale. The moods and the viewpoints of people are continually changing. When a prospect has time to review and debate, alone, the advisability of buying, he will probably decide in the negative. So the closing argument should always be coupled closely with the time of strongest desire. After summing up the admissions in regard to the merits and the advantages of the goods, or the correctness of statements that have been made, the salesman should assume that the sale has been closed, and say without hesitation, "How many cases shall I send you, Mr. Blank?" or, "You wish to take it on the cash plan, don't you?" or, "By what road do you wish the goods shipped?"

Many salesmen lose sales through talking too much. They think all the arguments in favor of the product must be brought to bear on each case, when the prospect may require only one

or two of the most essential. Such salesmen do not study the prospect's business sufficiently to know the things in which he is vitally interested. Many salesmen talk a customer into a sale and out of it again, on the assumption that they must keep on talking until the buyer, of his own volition, suggests the purchase.

Indecisive Prospects

Even when a man has apparently been convinced that it will pay him to purchase, considerable persuasion is often required to induce action. Some men find it difficult to make up their minds to act finally, no matter what the occasion may be. A retail salesman may show to such a person all the shoes in the store and because of his peculiar mental make-up, he will have much difficulty in making a selection. Such a prospect may not buy after all, unless the salesman forcibly impresses on his mind the fact that some particular shoe is just what he needs, fits him faultlessly, and, suiting the action to the word, starts to wrap the shoes up and inquires whether the purchaser wishes them delivered or will take them with him. To a large class of people, the salesman will not be able to sell unless he thoroughly understands this vacillating type.

When Postponement is Advisable

Important contracts cannot be closed with a man who is giving instructions to a subordinate. Closing arguments do not take hold fully when the prospect is writing a letter. The attempt to close the sale is of such vital importance that the final play should not be made until the undivided attention is secured. Sometimes a prospect may be in such a humor or may be so busy that it will be good tactics to leave courteously and try again later. When selling real estate, or investments, the reading matter is often left for the prospect to examine, and attempts at closing are deferred until he has had an opportunity to look fully into the subject. But the salesman should not deceive himself by thinking that in all cases where the prospect wishes to defer he should be allowed to do so. With a little experience, the salesman soon discovers that most promises to do business later are forgotten or abandoned. Employers want orders, not promises. The salesman must cultivate judgment to determine whether he should force the argument to a close or should reserve his strongest attack for a subsequent call.

The prospective buyer who shows the common tendency to put off signing an order must be convinced by means of technical

arguments applied to his business, present condition, or general interests. The technical arguments will differ, not only with different products, but with different companies as well. The salesman for a specialty house, who sells a machine or an appliance that saves the purchaser money, has a powerful lever with which to get action. His standard argument is substantially the following: "My product saves you money. You lose money every day you do not have it. Consequently, you will lose money by not buying today. It is to your interest to buy now."

Objections to Investigation

The salesman who objects too pointedly to the customer's looking around a bit incurs suspicion and generally undoes all that he has previously accomplished toward influencing the customer's choice. The customer at once infers that the salesman knows his goods will not bear comparison with others, though this inference may be entirely wrong. Sometimes the salesman feels confident that his goods will stand the proposed test and objects to delay merely because, having fairly satisfied the customer, he resents being balked just at the close. He may reason thus: "If this customer looks further he will merely confirm all I have told him. He will not give his order to any one else, and I might as well have it now. Besides, if he does not buy now, half that I have said to him will be forgotten by the time he comes back to me, and I shall be obliged to take him through the different steps of the selling process the second time."

But while the salesman's objection may be a perfectly guileless one, and he may be sincere in protesting that he objects as much on the customer's account as his own, the customer can see the matter in only a damaging light. It seems to him that if the thing he is asked to buy is really better than any he could find elsewhere, the salesman should welcome a thorough comparison. The prospect fails to see the advantage of hastening the close of the sale; and the salesman's eagerness arouses a suspicion that is likely to kill sales.

When the prospect, just at the point of closing, says that he will not give the order until he has looked further, the salesman should refrain from offering any outspoken opposition and should not show by his manner that he is disappointed or disgruntled. He should not let the prospect see that he regards the suggestion as a setback. He should not give him the idea that the salesman's interest and enthusiasm in trying to sell him, or the good-natured feeling toward him, are decreased in the least. The talk should be kept going in an effort to increase the prospect's

enthusiasm to the point where he will want to give the order without further search, where he will be satisfied that he has found the thing he wants.

The suggestion to look further may possibly be ignored if it has not been made too pointedly or with the effect of closing the interview. If it is made casually, the salesman may pay no heed to it, but may concentrate on some strong selling point and make it so convincing that the prospect will voluntarily abandon his idea of looking elsewhere.

Inducements to Close

When the prospect halts between two impulses is perhaps the most critical period of all. The prospect, though convinced, debates mentally whether he should actually sign. Of the two things, he would rather not sign. If the salesman is nonplussed or has no convincing reason why the prospect should sign, the order will probably be lost. High-grade salesmen usually have some strong arguments ready to combat the plea that the prospect wishes to think it over, and in the twinkling of an eye will select the most effective.

Often the objection made is lack of money and that the prospect cannot afford to close the matter at the time. Here a clear demonstration must show that entering into the contract at this time will prove so profitable that for the prospect to neglect taking immediate advantage of the opportunity would be a great mistake. The insurance salesman can give illustrations showing that to postpone taking a policy would have brought distress to a certain family because the husband had been taken away shortly after the insurance had been taken. The salesman of correspondence-school scholarships can cite instances where good positions came to men who enrolled without delay and were ready for the opportunities that came along. When selling real estate, the argument as to rapid increase in land value may be used to arouse the prospect to immediate action.

Many concerns, realizing the difficulties that confront their salesmen in closing sales, provide some inducement to force action on the part of the prospect. For example, advance information furnished by a wholesale grocer to his salesman, showing the possibilities of a rise in the price of coffee, is an inducement for an immediate purchase. A special discount to those who make purchases at once is a strong leverage in closing sales. Some inducement for a trial order is a help. But such inducements should not be used until the salesman has delivered a convincing selling talk and is satisfied that the prospect is convinced that

the goods are desirable. The inducement that is intended to spur to action should be reserved to the very last.

Salesmen often make the mistake of putting all their emphasis into the inducements they have to offer. An inducement is not effective unless the prospect really desires the article; consequently, the salesman must be sure that he has created a definite desire before he offers an inducement. Some customers decide to buy the instant the article is presented to them. A salesman's quickness of perception should enable him to discern this at once, and he should make his talk brief and more descriptive.

Methods Commonly Used

One life-insurance salesman, when he sees that the customer is convinced, has him sign the application in blank. By so doing, he finds that there is little danger of the prospect's changing his mind while the application is being filled out.

In clothing stores, the skilful salesman forces a decision easily by saying at just the right moment, "Now we will send for the tailor and have this little change marked for you," and taking that action at once if there is no objection from the prospect.

A typewriter salesman, when he sees that the customer is ready to close, places the order book ready for his signature in front of him, and lays the pen near at hand. The customer, listening carefully to the salesman's talk, does not seem to notice the tactics; yet seeing the order book and pen, he often signs the order without being formally requested.

Another specialty salesman changes his style of demonstration and talk the minute the customer signifies his willingness to order, or seems to be willing, and says, "We will now observe the formality of signing the documents to make you a full-fledged participant in the benefits of our house." His manner and the difference from the ordinary attempt of the salesman to close the sale usually make a favorable impression and the order is signed without hesitation.

Other salesmen make it a point to get the pen or pencil into the customer's hand and have him figure on the profits of the proposition or some other phase of the subject under discussion. Then when it comes to signing, the customer has the pencil or pen in his hand ready for the signature. The fact that he has just been writing makes it that much easier to affix his name.

Choice of Words in Closing

It is good salesmanship to substitute other words for *contract, order,* and the like. Often the sale hinges on the fact that the salesman says, "Just put your firm name on this memorandum," instead of saying, "Please sign this contract." The idea is not to emphasize the fact that the prospect is making a hard-and-fast contract or getting rid of his money, but to treat the formal order as a little detail. At the same time the buyer should be told anything that he ought to know in order to understand the terms. Many cases of dissatisfaction come from the short-sighted policy of neglecting this point. A reasonable amount of goods sold right is worth more than a considerably larger amount sold with deceit and ignorance of terms, which methods produce complaints, law suits, and generally unsatisfactory results.

A salesman for a business device, as soon as the prospect shows any sign of closing, says: "I will fill out this memorandum, and show you just the advantages we offer to the man who puts in one of our machines." As he does this, he asks the necessary questions about size and style of the appliance, and, talking generally about the easy terms, places the order and pen for signing where the customer can easily perform that operation.

If the price is an attraction, it may be brought out early as a talking point. Usually, however, price is an obstacle rather than an attraction and should be kept in the background and treated as a matter of course. Few people are looking for a way to spend money. The skilful salesman, therefore, will distract the attention of the prospect from price until he is very favorably inclined toward the purchase of the article, when there is a much better opportunity for explaining how the terms can be met.

Preventing Outright Refusal

When the salesman attempts to close and fails, the best sales practice does not make much of the refusal, but brings in such convincing parts of selling talk as are likely to close the sale. Indeed, clever salesmen often interrupt prospects and avoid an out-and-out refusal, for the minute the customer says that he will not do a thing he strengthens his resolve not to do it just that much. Mere thinking of refusal does not strengthen the resolve nearly as much as the oral statement. When the prospect declares that he will not order he feels that he ought to stick to his word. Therefore, an abrupt refusal should be headed off when possible. In this case, the opportunity to make a sale is

still open. The salesman, if he carries an extended line, can say suggestively: "Well, we can transact some business today, anyhow. Now, here's this item; it is our leader and, to get your name on our customers' list, the house will be glad to fill your order on this alone, although we make very little on it."

Value of Admissions

All through the selling talk the skilful salesman will have the prospect admit as many points as possible. As he scores points, his questions, "Isn't that true?" or "That is so, isn't it?" induce the prospect to confirm, step by step, the important points of the demonstration. At the closing stage, these admissions can be used effectively: "As you say, Mr. Blank, our line is well adapted to such and such uses," or "As you saw, Mr. Blank, such and such results can be expected."

The effectiveness of an admission is well illustrated by the story of a sale of a big outfit of mill machinery. A salesman had reported that the order was lost, a competitor having bid lower. The star salesman was therefore immediately sent to see the buyer. This salesman secured a hearing, but was told courteously that discussion was useless, because the other firm had given a better price. Finally, after a most determined effort, the salesman induced the purchasing agent to reconsider the matter, if shown to his own satisfaction that in actual service the salesman's machine outlasted the competitor's. The salesman then had the purchasing agent call up a certain customer on the long-distance telephone and ask for his experience. As the distant customer made a report that was most favorable to the salesman's machines, the lost order was recovered.

Building Up the Order

The salesman who handles a wide range of goods soon learns that one essential is to induce the buyer to make an early start on buying, though the first purchase may not amount to much. Department-store managers invariably place something attractively priced at the front of the store to get the customer in the buying mood.

After closing on a small item, the next step is to develop the order as the buying spirit of the customer develops. A good method often used is that of letting the buyer first order what he seems to want most and only attempts to build up the order when he has gone over his entire list of wants. If the salesman attempts too soon to force the building process, the customer may think he is giving too large an order.

PAYMENT FOR GOODS

Advantages of Large Payments

SOME salesmen find it necessary to obtain the order only; but in some lines of selling, a payment is very important. The customer feels proprietorship in a thing he has bought and has paid for in part. He begins to justify his course in his own mind the minute that he pays out his money.

Where goods are sold on the part- or monthly-payment basis, an effort should always be made to secure as large cash payment and time payments as possible. The smaller the payment and the longer the payment period, the greater is the chance for delinquency, and also the time and labor of collecting. The salesman, in selling goods of this class, has the chance to use skill at the close of his canvass in determining how much the prospect can pay.

The following principle may be applied to many branches of selling: Get a payment whenever possible, as the sale is more likely to stick and the salesman is then practically certain of his commission. A life-insurance man illustrates this principle by the following incident: "I induced a very influential man who was a good risk to sign an application for a $10,000 policy. I knew that if I could refer to him as a policyholder, my future work in that territory would be made much easier. But after securing his signature to the application, I neglected to take him to town, two miles away, for examination. After I left him, some of his friends talked him out of the notion of taking insurance, and I lost the commission that I had rightfully earned, for, in spite of the fact that he had signed the application, he refused to take the examination. I should have secured the business had I attended to the examination and asked the prospect to make his first payment when he was in the mood for it. Therefore, since then I do not consider the sale closed until I have the signature to the application, the examination certificate, and the first payment on the policy."

The salesmen of a large concern selling its product to the general public receive the following instructions: "A prospect must never be judged by the cut of his clothes, nor because he is a working man and wears overalls covered with grease should it be assumed that he has no money and that he must be quoted

the lowest instalment price. These men live inexpensively, often have a nice little nest egg laid away, and have sufficient business sense to take advantage of every opportunity to save money, for with them a dollar saved is a dollar made.

"To get cash business you must think cash, talk cash, and ask for cash. If you do this with confidence, you are sure to rank high on the average value of payments and collections secured. A good average is obtainable by asking for the largest amount possible at the outset and afterwards as large instalments as can be arranged for, in order to close the account at the earliest possible date. Large first payments prepay accounts. The larger the first payment, the less danger there is of an account lapsing. The man who has something at stake has a greater incentive back of him to get something for the money invested than the man who has paid out only a few dollars.

"Don't be afraid that you will lose business because you ask for a large first payment. You will have ample time to make the payment lower. The man who gets nothing but small first-payment business is a cheap man—will always be a timid, afraid-to-ask sort of fellow. Your proposition is good. You give good value for the money you receive, and therefore you should not hesitate to ask for at least enough to bind the contract. A man who buys a house or a lot for $50 might break his contract for the slightest reason; but not if he pays several hundred dollars. You must push for large first-payment business."

Real-Estate Practice

Real-estate men often follow the method of first naming a large cash payment. They remark casually that a house can be bought on a cash payment of $1,500 or $2,000 and $50 a month, just to try out the prospect. He is often found prepared to make a much larger payment than the one mentioned, and $1,500 is obviously much better as a cash payment than $500. It is rather a compliment to a man when the salesman seems to think that he can pay a high price or make a large payment. Insurance companies instruct their men to start with a good-sized policy, as a matter of tactics, and then work down, if necessary.

Discounts

Discounts are reductions made by manufacturers, jobbers, or merchants from their list, or catalog prices; they are computed by the rules of percentage, the list price of the goods being the base. When several discounts are allowed, the first is computed on the list price, the second on the remainder, after deducting the

first discount, and so on, each remainder being regarded as a base for the computation of the next discount. The several discounts, if there are more than one, form a *discount series*. When several discounts are offered, usually one is known as a *cash discount*, that is, a discount for full payment at once or within a short time.

Not all concerns can use discounts as good closing arguments. For some to educate their customers to expect a closing discount would be hazardous. Often the best-paying policy is to have only net prices and maintain them strictly. But in specialty selling, the discount has been found to be more effective for some firms than any other known method. The prospect is convinced that he ought to buy, says he expects to buy some day, but he has the human tendency to put off. The discount affords just the means by which he can be closed.

The use of discounts is simply another way of appealing to the common bargaining instinct. A man will often buy something if the price is $100 and a discount of $10 is allowed, bringing the net cost to $90, when he would decline to pay $90 if that were named as the original price. The offer to give a bookcase to those who order a set of books within a certain time, or to include some other special inducement if the order is given at once, are all appeals to the bargain-seeking instinct and are distinct aids to closing. Salesmen commonly make the mistake, however, of offering the discount before the man has been convinced that he ought to make the purchase, and so try to sell the discount instead of the goods.

Maintaining Sales

Salesmen are rated, by their managers, not alone for their ability to close sales, but for the attitude of the customer toward them when the sale is completed. One sales manager has said:

"Of three salesmen who turn in a report at the end of the week showing $1,000 worth of sales, one salesman may have been an actual damage to the house; a second may be neither a loss nor a gain; a third may have gained, in good-will and prestige for the house, several times the value his sales summary shows.

"For instance, here is Smith, a new man we are trying out. He is a man who involuntarily sees the faults in a proposition, who is easily influenced, and who takes the customer's side in any friction that may arise between him and the house. By wrong methods, Smith may injure our standing with our customers more than the value of the orders that he turns in, and he is one of those salesmen who, no matter how many orders they can turn in, are looked upon with little favor by every progressive house.

"Then, there is Jones, who is conscientious, diligent, hard-working. He presents the merits of the proposition as he sees it, is loyal to his firm, and amenable to instruction. But when he turns in business, he turns in merely the bare order. He has noted nothing in particular about the customer; he simply called, took as good an order as possible, and left. His work, however, is better than Smith's, who acts more as attorney for the customer than for the house.

"Brown, though, is the salesman that every sales manager is looking for. With every sale Brown makes he creates a reserve of confidence in that customer's mind, gets his good-will, and also secures a valuable by-product from observations while making the sale. Such a salesman will not only make the sale, but will *hold* it, and lay the basis for future profitable business. The salesman who can make a sale is a valuable man, but the salesman who not only makes the sale, but who lays the basis for lasting satisfaction, is much more valuable."

Making Goods Stay Sold

Nothing is more exasperating to a salesman than to have his sales canceled by the customer in his first flush of dissatisfaction. Once a salesman secures the reputation of making sales that stay sold, not only is his chance for advancement increased, but he is given important sales work where he can acquire much specialized experience in making sales under difficulties. More than one sales manager owes his position to his higher training in handling hard prospects.

In determining the reasons why one man makes sales that stay sold while another does not, the state of the customer's mind, after the sale is made, must be briefly reviewed. For instance, a solicitor has sold a prospect in fair circumstances, a life-insurance policy calling for a premium of $125 a year. After much consideration, the application has been filled out and signed and the check given for the first payment. At the time, the customer feels that he has done something worthy, something that he ought to do, and that he has in a sense paid an obligation to his beneficiary. But after the solicitor has left and the prospect begins to think the matter over, there may be a reaction. In a few hours the customer may regret signing the application; he does not see the advantage, but only the disadvantage—that he must raise $125 every year in order to keep up his payments. If he keeps thinking along this line, and many do, he may even consider stopping his check at the bank and refusing the policy. Sometimes a man who is unused to buying or taking responsibility

will become almost sick at the thought of having spent so much money, and the salesman who is not skilled in methods of holding the customer will have some very disappointing experiences. This situation is not peculiar to life-insurance work, but is common to the salesmen of correspondence courses and to others. The correspondence-course salesman often has to recanvass his man on several calls before he is finally and unchangeably satisfied with his action.

The salesman for clothing, boots and shoes, groceries, or the like, finds that his customer, being a seasoned buyer, does not experience as positive a mental reaction as do life-insurance prospects and others. With the exception of overload orders, which the good salesman will not attempt, or changes that come from conditions outside the salesman's control, such as weather conditions, crop failures, panics, or shut-downs, the ordinary staple order stays sold. But the customer can, at any time, turn his future business to another house, if he is not held by the fairness, skill, and individuality of the salesman, and the merits of the goods. Only if the salesman holds the future trade of the customer as well as the order just taken, can the sale be said to be rightly made. The basis on which to work in holding the customer is the information gained in making the sale, which is one of the most valuable acquisitions of the salesman. His observations should enable him not only to hold the sales made, but to plan future sales.

The complaint is common that the salesman is interested only in the selling of the goods; that he really has not the interests of the buyer at heart. The salesman is serving his own interests when he does all that he can do for the interests of those who deal with him. Many successful salesmen, when asked for the secret of their methods, declare that they have none, that they merely go at their work with all their powers and endeavor to treat their customers squarely. Certainly the man with a reputation for good service among his customers has the right foundation for great success.

Use of Product

The secret of the customer's satisfaction often lies in his ability to make use of his purchase. If his ability is considerable, the salesman can easily convince him that the product will relieve worry and increase both efficiency and personal and financial standing. More or less work will be required from the salesman, as the customer has more or less using ability.

In life insurance, one of the methods used both to close the

sale and to insure regular payment of future premiums, is to explain thoroughly the merits of the policy in non-technical language. This goes far toward overcoming the objections that arise later and arms the prospect against the efforts of rival agents who may try to sell him a substitute policy.

With the decrease in business activities of such years as 1930-1932, we see the value of such plans as are outlined above. Maintaining sales is always an important feature, in trying times it is doubly so. Cancellation of orders is the curse of business when times are bad. Helping the purchaser to understand the value of his purchase and aiding him to utilize it, is the essence of good salesmanship.

MODERN SALESMANAGEMENT

THE importance of salesmanagement as one of the functions of a well balanced business has increased rapidly during the past few years. The reasons for this are numerous. Among them may be mentioned the rapid development of transportation facilities, the increasing complexities of the distribution process, the greatly augmented production of manufactured articles, and the intense competition that attends selling activities today. The conditions just stated demand of the selling end of a business more intelligent and more thoroughly systematized effort, and likewise have increased greatly the responsibilities and requirements of the sales manager.

Formerly salesmanship was simple in its methods. The goods sold by the leading business houses were for the most part staple commodities, for which there was a well established demand, and the salesman's duties consisted mostly in making regular calls upon his trade, and holding his customers by means of his pleasing personality. Salesmanagement was thought to be a matter of personal qualities, and the successful sales manager was a man who by his energy, enthusiasm, and good fellowship could inspire his salesmen to increase their sales and hold their own against their competitors. It was in the marketing of such specialties as the cash register and the adding machine that the possibilities of scientific salesmanagement came to be realized. Starting from nothing, such concerns as the National Cash Register Company and the Borroughs Adding Machine Company built up a world-wide sale for their products by means of well organized marketing plans, in which the efforts of a thoroughly trained staff of carefully selected salesmen played a prominent part.

It is becoming evident that the proper development of the sales force offers the greatest opportunity for showing progress and making profits in the business world today. It has been said that the real purpose of salesmanagement is to increase net profits through increased sales at decreased selling cost. This statement is useful because it emphasizes the two great needs that face business constantly, first, the necessity of achieving a greater volume of sales, and second, the need of cutting down the

cost of selling, which is subjected to critical scrutiny by those who believe that the process of distribution is more expensive than it should be.

A well known sales manager has said that if we are to reduce the cost of selling, the greatest part of the obligation rests upon salesmanagement and he adds, "until we get the cost of selling down to a point where it is commensurate with the service involved, instead of being based as it now is, on the work involved, the business of the United States is out of joint."

Duties of the Sales Manager

A great variety of details are included in the duties of a sales manager. He either has charge of the advertising of the product he sells or is expected to coordinate his selling activities with those of the Advertising Department so that they will reinforce each other. He must be able to make a thorough analysis of the problems involved in the distribution of his product and upon this analysis as a basis he must build a workable plan for developing sales. He must compile a multitude of statistics including sales records, market analyses, expense and salary accounts, quotas, etc., and he must be able to interpret these statistics intelligently so as to detect changed conditions and adapt his selling plans accordingly. But while the duties we have just enumerated are important, the most important task that confronts a sales manager is that of building up an efficient selling force. In no department of a business, perhaps, is organization so important as in the sales department. In military campaigns, an army of raw recruits, though the men may average well in bravery and resourcefulness is of much lower efficiency than an army of seasoned, well-organized, and well-commanded men. The mere fact that scattered among the recruits are men of unusual ability does not give the army as a whole the needed efficiency. Salesmen are not trained or commanded in the same way as soldiers, but training and organization are just as important for them. Business battles require just as much good generalship, good spirit, and individual training as military campaigns. Much is said, and rightly so, about the present age being an age of individual effort, the age when the individual must depend largely on himself and has the greatest chance for achievement. Nevertheless no selling work of magnitude can be efficiently carried on without organization.

The task of developing an efficient sales force divides itself into three parts: (a) Selection, (b) Training, and (c) Supervision. Before taking up in detail each of these topics, we shall

consider the qualifications of a sales manager in his function as the leader of a sales force.

Qualifications of the Sales Manager

A sales manager should have had a successful sales experience. This enables him to understand the problems that confront his men and wins for him their confidence, for they know that his instructions are based on experience and a thorough knowledge of the details of the work. In addition to practical selling experience, a sales manager must possess the qualities of the teacher and the leader. Many men who achieve wonderful records as salesmen are failures as sales managers because they are unable to analyze selling methods and explain them to others or because they are unable to inspire with enthusiasm those who work under them.

A sales manager must be a good judge of men. He must be able to size up accurately the characteristics of each man on his sales force and give to each the kind of cooperation best suited to his individual needs. He must be a man who can mix well and who, while maintaining the respect of his salesmen, can get into close relations with them. He need not expect to regulate the private lives of his men; he should not undertake to regulate their religious, political, and social views. He has the right to criticize weaknesses that show themselves in a man's work, but the successful manager has to shut his eyes to some things about the men he employs. The sales manager cannot afford to be narrow. The man whose temperament or character may not be admired by a sales manager may nevertheless be a successful salesman.

A good sales manager must be unusually energetic and enthusiastic. He must be able to keep up the enthusiasm of his salesmen when it is diminished by discouraging conditions. To do this he must not only have faith in the product he is selling, but he must also constantly contribute his own magnetism, to make up for what has been taken from his men. He must possess imagination, for it is his business to see ahead, to picture in his mind the results he desires to achieve, and to construct plans to bring about these desired results.

Selection of Salesmen

Careful selection of salesmen is important, for several reasons. The cost of breaking in new salesmen is higher than that of any other class of employes. Estimates of the cost of training a salesman vary, some placing it as high as $5,000. Probably

a fair estimate of the average cost of breaking in a new salesman would be somewhere between $1,000 and $2,000. More scientific methods of selection produce greatly increased business. One insurance company found that 500 salesmen, selected in accordance with a carefully thought-out plan, produced $50,000,000 worth of business in a year, while 1,714 salesmen, not so thoughtfully selected, produced only $19,000,000. The average production of the carefully selected salesmen was $100,000 a year, as compared with an average production of only $11,000 a year from the less carefully selected salesmen. Careful selection reduces the number of changes in a sales force and thereby decreases the expense and loss of business incident to the training of new salesmen. Consequently, it reduces the cost of selling, which is one of the problems that constantly face every sales manager.

The first step in evolving a proper method of selecting salesmen is to make a thorough analysis of the requirements of a salesman for the particular kind of selling work in mind. The qualifications that would be suitable for a salesman operating in city territory among business men would obviously not fit the case of a salesman working in small towns or among farmers. Having a clear idea of the qualifications needed by the members of his selling force the sales manager next should consider the possible sources from which he can draw material.

Sources From Which Salesmen May Be Secured

Advertising.—The classified columns of newspapers are used by many sales managers in search of new salesmen. Care is taken, however, to word the ads in such a way as to discourage replies from applicants of the wrong calibre. One concern which used the classified columns of various New York City newspapers used three or four inches of space to tell actual stories of successful salesmen on its force, emphasizing the need of success in some line of work as a basis of success in its selling work. Another concern worded its ads for salesmen in such a way as to give the impression that the proposition was a pretty big one, thus discouraging triflers and curiosity seekers from applying. A sales manager who had failed to get satisfactory results from an ad of the ordinary sort doubled the size of his ad and gave details in regard to the product, the house, the territory to be covered, the compensation, the opportunities for advancement, and the success achieved by some of the salesmen in the organization. Fewer replies were secured from this ad, but they came from a much higher grade of men and he was able to employ several good men from among the applicants.

As a rule, it is best not to indicate in the ad that a large number of salesmen are to be employed. A better class of applicants

SALESMEN.

AN INVESTMENT HOUSE OF THE HIGHEST STANDING AND WITH EXTREMELY STRONG AND FAR-REACHING AFFILIATIONS IS DESIROUS OF COMMUNICATING WITH A FEW MEN WHO ARE EXPERIENCED IN THE SALE OF BONDS AND HIGH-GRADE PREFERRED ISSUES; MEN WHO HAVE NEVER SOLD AND MEN NOW ENGAGED IN MERCANTILE LINES, BUT WHO DESIRE TO ENTER THIS HIGHLY REMUNERATIVE FIELD.

INEXPERIENCE IN FINANCIAL SELLING IS NOT A BAR. YOU WILL BE GIVEN A VERY THOROUGH TRAINING IN FINANCIAL SALESMANSHIP IN GENERAL, AND THIS BUSINESS IN PARTICULAR.

THOSE MEN WHO ARE ENGAGED WILL HAVE THE RESOURCES OF ONE OF THE STRONGEST HOUSES IN THE COUNTRY IN BACK OF THEM AND WILL HAVE AN UNUSUAL OPPORTUNITY TO MAKE LARGE EARNINGS ON A VERY SATISFACTORY COMMISSION BASIS, WITH THE CHANCE TO ADVANCE RAPIDLY TO AN EXECUTIVE POSITION IN THIS HOUSE OR ONE OF ITS AFFILIATED INDUSTRIAL ENTERPRISES.

WRITE FREELY AND FRANKLY, YOUR LETTER WILL BE HELD IN THE STRICTEST CONFIDENCE AND AN INTERVIEW WILL BE ARRANGED. S 283 TIMES.

ADDRESS ATTENTION OF THE PRESIDENT.

SALESMEN.

Many a man would like to become a salesman, but feels he does not possess the qualifications. Why judge yourself? We are willing to give every man an opportunity regardless of the position he now holds.

We are ready to put on ten quick thinking men willing to work hard and cash in on our plan of selling nationally advertised electrical labor-saving appliances through the largest electric light company in the country. We have facilities to train every man without his incurring any expense, paying large commission while learning. We will need executives; these positions will be filled by men who have been out in the field and secured practical training. Apply 9 to 5, C. S. Bigsby, Room 1007, Knickerbocker Building, 42d St. and Broadway.

SALESMEN.

WE NEED A FEW EXCEPTIONAL SALESMEN PERMANENTLY; MEN BETWEEN 30 AND 40 WHO ARE WILLING TO TRAVEL AND CAN SELL A SPLENDID SERVICE TO BANKERS, A SERVICE THAT THE BANKERS DESIRE AND WILL RENEW.

UNLESS YOU ARE WELL EDUCATED, HAVE A GOOD PERSONALITY AND A LONG SUCCESSFUL SALES HISTORY, YOU ARE NOT ONE OF THESE MEN; IF YOU CAN QUALIFY, YOU WILL HAVE AN EVEN CHANCE WITH OUR MEN, WHO OFTEN MAKE $2,000 PER MONTH ON COMMISSION; ALL MONTHS ARE ABOUT EQUALLY GOOD.

IF YOU ARE SURE YOU ARE THE TYPE OF MAN DESCRIBED, ARE INTERESTED AND AVAILABLE AT ONCE, PHONE

L. B. CRAVATH,
PENNSYLVANIA 5000.

SALESMEN
AN UNUSUAL CONNECTION.

A large financial house has for the right man an unusual opening in its New York office. This house is both sound and successful and has exceptional affiliations and backing.

To the man who can fulfill our requirements we can offer remarkable inducements.

1. Permanent connection.
2. Due to our constant and sound expansion practically unlimited opportunity for advancement to executive positions of trust and responsibility.
3. A commission arrangement which makes large earnings obtainable.
4. The position is one of dignity and one where the man selected will find himself in congenial surroundings and connected with a concern of which he may be justly proud.

Owing to our policy of adapting our men to our own business methods, men who have previously sold securities will not be considered. If you feel that you are a man of energy and ambition, that you can stand prosperity and that you really desire to form a permanent connection with future promotions, yours just as soon as you show the ability to assimilate them, write us in strict confidence giving sufficient detail to warrant an interview and address your letter to the President, W 95 Times.

FIG. 34

will be obtained by composing the ad as if only one man was wanted. Some typical ads for salesmen are shown in Fig. 34.

To secure salesmen for work that demands specialized experi-

ence, ads in the best trade journals are often used to advantage. Some specimen ads of this sort are shown in Fig. 35.

It is an excellent plan for a sales manager to read carefully the "Situation Wanted" ads in newspapers and trade journals. A salesman who seeks through an ad to obtain a new position probably has something to offer. Some excellent material may be obtained in this way that would otherwise be unobtainable. Many men of pleasing personality and good sales ability write

SALESMEN WANTED—(By manufacturer rated $250,000 high grade credit and in business twenty years) to sell a high grade and also a moderately priced line of aluminum cooking utensils to hardware, department store and premium trade on a commission basis. Are only interested in placing line with men who have had experience in the sale of aluminum ware. State age, selling experience and territory you cover. Address Box 886, care HARDWARE PUBLISHING CO., Atlanta, Ga.

Wanted: A high grade salesman to represent a well known and long established product in New England and other territory. We would be particularly interested in a salesman who has sold stoves, furniture, refrigerators or hardware specialties to the best retail trade, and with several years' experience selling this trade. First class recommendations from past employers should accompany application, together with complete information as to present and past employment territory covered at the present time and amount of yearly sales. An excellent and permanent opportunity for a reliable and capable man. Address Box F-649, care HARDWARE AGE, New York.

SALESMEN, DRUGGISTS' SUNDRIES. We are building up a sales organization of experienced sundry-men; we need men who have been selling for the regular druggist sundry houses; only men with experience and following of retail druggists in Greater New York need apply; drawing account against commission. Apply by mail, giving all particulars; strictly confidential. Bronx Drug Co., 3670 3d Av.

SALESMAN WANTED—A COMPANY with a national reputation, manufacturing a complete line of plumbers' brass goods desires the services of a live salesman to call on the jobbing trade *only* in the New England States. The man selected for this position must be thoroughly familiar with the plumbing supply line and acquainted with the jobbers in this territory. State age, years of experience and salary desired. Correspondence will be treated confidential and should be addressed to Box 110 c/o THE PLUMBERS' TRADE JOURNAL.

OLD established Philadelphia shirt house manufacturing popular priced line of dress shirts, will consider applications from resident, traveling salesmen with following among the better class haberdashers, furnishers and department stores on a commission basis in the following States: New York, Iowa, Nebraska, Minnesota, Texas and Colorado, as well as the entire South from Washington to Texas; experience and sales records required; state full particulars in first letter; confidential. X 2079 Times Annex.

FIG. 35

poor letters of application, therefore it is not safe to judge applicants too strictly by their letters. It is better to ask the applicant to call for an interview, if he seems to possess the requirements for the work.

Competing Organizations.—The practice of hiring salesmen away from competing organizations is not indulged in as much as it used to be. Many a sales manager, hiring a star salesman away from a competitor by offering attractive inducements, has found that the new salesman was hard to get along with and likely to stay only a short time. The best policy seems to be

that of letting salesmen from competing concerns come to you of their own accord, attracted by your better product, more skilful advertising or some other inducement. Such men are likely to constitute a good source of material, for they require less training than the ordinary applicant, and it is easy from their past records to size up definitely their ability as producers.

From the Sales Force.—Many companies utilize the help of their salesmen in getting additional salesmen. Some salesmen may recommend their friends for positions as a favor to them rather than because of any special fitness. This tendency can be overcome by educating salesmen as to right methods of selection. One company which coaches its salesmen quite carefully along this line secures a large percentage of its new salesmen in this way.

Some concerns offer a bonus to salesmen whose candidates develop into satisfactory producers.

Retail clerks are a valuable source of material for selling work where the product is sold to the retail trade. They understand and sympathize with the retailer and his problems and are accustomed to working steadily and to long hours. Besides, they are only too glad to get into an occupation offering a wider range of opportunity than is afforded by retail sales work. Many retail proprietors who have not been successful in business are capable under proper supervision of developing into splendid salesmen. Analysis will often disclose the fact that the real causes of the proprietor's failure have no connection with his selling ability.

Schools and Colleges.—There is an increasing tendency, especially in the selling of technical products, to canvass carefully the graduating classes of technical schools. Some concerns make it their practice to send representatives to various universities to look for selling material. Men who have worked their way through college or who have been prominent in the business or athletic activities are considered especially good material for they understand the value of team work, and thus are more easily handled.

Within the Organization.—The inside workers of an organization are considered by some sales managers as a very valuable, though neglected, source of material for the selling force. The American Steel and Wire Company and the Sherwin Williams Company are examples of concerns that make it their practice to look for salesmen among their factory and office workers. As one sales manager says: "The boys in the factory have made the goods, their ideas of salary and expense are moderate, they are

accustomed to obey orders, they feel that they have to prove themselves, and are willing to work hard to make good. From every point of view, except experience in selling, they are extremely desirable material for the sales force, and after they have acquired the bearing, the poise, and the knowledge of the world that characterize a good salesman, they are likely to achieve success."

Other Sources.—Some sales managers make it their practice to be constantly on the lookout for promising raw material for their sales force. They watch closely for signs of latent selling ability in the people they meet and in this way they often get hold of men that develop with proper training into high-grade salesmen. One sales manager thought he detected signs of selling ability in a vaudeville actor whom he saw in a theater. He interviewed him, proposed that he take up selling work, and was turned down. He got the actor's wife on his side, however, and with her help finally persuaded the actor to try the selling game. The sales manager's judgment proved to be correct, for in a short time the actor developed into a high-grade salesman.

Methods of Selection

In selecting from the available applicants the men that he is to train as salesmen, the sales manager has an excellent chance to use all his knowledge of human nature. To be wrong in his judgments means either that he will waste time trying to train a man that is not well qualified for selling work, or that he will lose the opportunity to get a man of promising possibilities. Therefore, the inquiry as to the qualifications of candidates should be searching, and use should be made of every possible means of securing the information desired. The three common sources of information are: The personal interview, the application blank, and references. Some sales managers also make use of special tests.

The Interview.—In judging the merits of applicants it is natural for a sales manager to be guided by his first impressions, but he should guard against snap judgment. He should avoid the mistake of being too critical, and too exacting in his requirements, remembering always that his big job is to develop men of average ability or less, so that they will become capable of producing a satisfactory volume of sales. On the other hand, he should not be too easily impressed by the attractive appearance and clever conversation of applicants who lack the substantial qualities necessary for success.

A man of extensive experience in interviewing and employ-

ing candidates for positions says: "Why not meet every man who applies to you for a position in a perfectly fair spirit? You will find it best to sink your petty likes and dislikes and look at him from an impartial standpoint, judging just how much he is worth to you. There is no reason why you should not judge a man with the same cool accuracy with which a buyer judges a piece of cloth. It will be well to remember that few men will apply for a position for which they possess no qualifications. Every man is likely to be worth something to you, and to refuse to give him consideration is throwing away a chance to strengthen your force. The average employer is likely to think he possesses the gift of second sight. He judges too much by first impressions. If a man is not dressed to suit him or has not the type of face that meets his whim, he is likely to turn him down in short order. In this connection I always think of the story told by the president of a western corporation concerning a man who is now one of his most trusted and valuable assistants. 'When this man walked into my office 10 years ago,' said the president, 'he was the worst specimen of long, lean, lank countryman I had ever seen. I was tempted to have my secretary show him out without ceremony, but some impulse which I could not explain at the time led me to talk with him. I had not been talking with him more than a few minutes before I discovered that the fellow had considerable ability of an unusual kind. Power to direct large numbers of men and to bring about results in spite of all kinds of difficulties was soon apparent to me. When he began to talk, his face lighted up so with enthusiasm and intelligence that my unfavorable impression was quickly effaced. I gave him employment in a subordinate position and in two years he had made himself worth more than any two other men I have ever hired.' "

The candidate's manner of entering an office, his demeanor while waiting, his manner of introducing himself, are fruitful subjects of study. But it is only natural to suppose that some men should be a little self-conscious or nervous, knowing that the prospective employer is studying them keenly, and allowance should be made for that.

It is a good plan to sketch concisely the nature of the work at hand and then to give the candidate a chance to state his case. Usually he has come prepared with a number of arguments in his favor. It is well enough for the sales manager to be enthusiastic about the opportunity, but he will do well at the same time to depict the hard side of the work and thus try the spirit of the candidate; if his enthusiasm cools when he learns that hustle will be required, the chances are that he is not of the right sort. The

man whose first concern is about pay and hours may, too, be regarded with disfavor.

Shrewd questioning will enable the sales manager to get at the true situation. If he finds that the candidate has left job after job with grievances, there is a likelihood that an unfortunate temperament accounts for some of the changing. A favorite plan, with many employers, when selecting a man for a very important position, is to take him out to lunch. This usually removes a little of the restraint that the candidate feels in a formal interview and gives the employer a better chance to see the man as he really is.

If an employer fears a man has too little force in his character he can test him by making some remark that will stimulate the candidate to defend himself. "I don't believe you would be strong enough to come right into an office like this and tackle a buyer," is a remark that one employer makes. If the candidate braces up aggressively and offers proof that he has the ability, there is a chance that he has qualities that may be developed. Other employers, to test a man's courage, deliberately give expression to some erroneous opinion just to see if the candidate will stand up courteously but firmly for what he believes is right.

Confidence is important, but the man who shows that he realizes he has much to learn is probably to be preferred over the know-it-all type. A good sign of the successful salesman is his aggressiveness in seeking an interview and his persistence in holding on and seeking assurance of consideration from the employer.

Some sales managers secure the aid of others in interviewing candidates. The interviewers grade the applicants in accordance with a uniform plan, and their verdicts are averaged to determine their composite judgment. One plan, evolved by the Bureau of Salesmanship, connected with the Carnegie Institute of Technology in Pittsburgh involves the use of a rating scale with five subdivisions: namely, appearance and manner, convincingness, industry, character, value to the firm.

The interviewer, as he chats with each applicant, grades him in each of the five divisions on a scale ranging from 1 to 10, the latter number signifying the highest development of the quality named. Then the results are compared, and the positions are given to the men whose scores are highest. Another variation of this plan uses a rating scale divided as follows: appearance 10, address 10, character 10, industry 10, mentality 10, value to the company 40, reports from others, 10. It may be interesting to note in this connection that sales executives in the field seem to

be better judges of promising material than are home office executives.

Information Blanks.—The purpose of application blanks is to give the sales manager a fund of information regarding likely applicants; so naturally the questions that appear on the blanks depend on the needs and problems of the firm employing the salesmen. However, some concerns purposely require more detailed information than is really necessary, for the object of eliminating those applicants who do not care to take the trouble, or are too indolent, to fill out completely the questionnaires, or those who do not wish to disclose their past record by answering the various questions.

The Dartnell Corporation of Chicago, after a careful consideration of blanks used by several hundred concerns, combine the best features of these blanks and recommend a form of application for a position as salesman that is divided into several sections. The first section provides a space for the date, applicant's name and address, his nationality and telephone number. In this space the applicant always gives the date and place of his birth, and his ideas regarding compensation. Another section of the blank is devoted to the physical record of the applicant, as age, height, and weight; color of the skin, eyes, and hair; condition of health; defects, if any, in speech, hearing, sight, etc.

The section devoted to "General Information" discloses whether or not the applicant is single or married, his dependents, and the amount of real estate or stocks and bonds he owns. It also shows the number of lodges, religious societies, and military organizations to which he belongs, as well as the insurance he carries, and the number of relatives or personal acquaintances, if any, in the employ of the company to which he is applying for a position.

"Particulars of Previous Employment" is another section. In this section the applicant gives the name and address of his present and previous employers, details regarding his present or last work, salary or commission, the territory covered, the class of buyers called upon, etc. "Could you retain present position indefinitely?" is one of the important questions asked.

Under "Education and Selling Experience," another section, the applicant is asked to give details regarding his early education—grammar and high school, any special courses he has taken, and the books and trade publications to which he has subscribed. In this section he is also given an opportunity to state the territory he prefers to cover, his willingness to travel, his experience, if any, with the prospective employer's lines or his experience

with other lines, the class of trade to which he has sold, as manufacturers, jobbers, and retailers, and the class with which he is best acquainted.

The section devoted to "Character References" gives space for the names and addresses of five people. The applicant, however, is requested not to refer to mere acquaintances or relatives, but to refer to people who know him well, either personally or in business.

In the last section of the information blank space is provided for the applicant to write a letter in which he should state briefly his reasons for desiring to work for the firm, why he thinks he can sell their line successfully, and why he wishes to change his present position. The applicant is then requested to sign the application with the understanding that any agreement entered into between the company and the applicant is predicated upon the truthfulness of the statements contained in the application blank.

References.—The applicant should always have ready the names and addresses of persons familiar with his character and ability who are willing to serve him by responding to inquiries, because most employers require references and consider them of much greater value than testimonials, which so many applicants are ready to present to prospective employers.

When the names of previous employers are furnished, the prospective employer can secure in a confidential manner much information regarding the applicant that would not be included in the ordinary letter of recommendation. In writing to former employers, it is advisable to make the answering of the letters as easy as possible; so perhaps a printed form containing specific questions, and blank spaces for concise answers would bring the best results. Such questions should be asked as: "Why did the applicant leave your firm? Is he honest and free from bad habits? Is he inclined to pad his expense account? Is he a good mixer and popular with his trade? Is he willing to devote his time and energy to his employer's interests?"

In considering the information received in reply to inquiries, however, it is well not to place too much reliance on replies from persons of the same religion or nationality as the applicant. One sales manager says: "In hiring over 2,000 salesmen I have found that references from previous employers are invariably biased by any racial or religious ties that may exist between the two, and so quite often I have one of my men call on the old employer before I hire the man and find out the employer's nationality, and, if he can, his religion."

TRAINING SALESMEN

A CAREFULLY worked out plan for training salesmen is coming to be recognized as part of the indispensable equipment of a sales manager. The old idea that salesmen are born, not made, is giving way to a realization of the fact that training increases efficiency in selling, as in other kinds of work. Among the reasons for the greater need of training of salesmen at the present day, may be stated the following: There has been a great increase during the past few years in the number of specialties sold. In this field of selling work, personality plays less part than in the sale of staple articles, and the salesman must make his efforts count in order to produce a profitable volume of sales. Sales forces are larger nowadays than they used to be and, therefore, there is less opportunity for personal supervision by the sales manager. Careful training serves in great part to take the place of personal supervision. The increased competition and the greater complexity of business require salesmen to be more versatile. Besides, buyers are gradually becoming more wary, and only a salesman who has been thoroughly schooled can hope to cope satisfactorily with the obstacles that are put in his way by hard-boiled purchasing agents and resourceful competitors. Good will, as a factor in business, plays a more important part than formerly. The repeat orders that are based largely on the development of the right relations between the purchaser and the salesman are greatly increased by training the salesman.

Improved cost accounting methods have shown that the rapid turn-over of the sales force is a very expensive process. A salesman who is well trained is more likely to remain a considerable length of time with an organiaztion, and the money saved by decreasing the turn-over of salesmen, in many instances, probably pays for the cost of training. A well-conducted training school for salesmen gives an opportunity for personal development and it also gives a chance for a more detailed personal inventory of each new salesman that enables the sales manager to treat each new member of his force in a more individual way after he gets out into the field. Being thus able to cooperate more closely with his salesmen, the sales manager is better able to get from each of his men the best efforts of which he is capable.

Methods of Training

The three principal methods of training salesmen are:

(1) A school at the factory or branch office.
(2) Training in the field.
(3) Training by correspondence courses.

Training at a Resident School.—The methods used in training salesmen at a resident school, located either at the factory or at a branch office, depend on the article to be sold. Where this is a tangible product, like electrical equipment, or an adding machine, a good share of the training period is necessarily spent in the factory. Sometimes the embryo salesman helps to make the product he later intends to sell. This gives him a familiarity with his commodity that fortifies him against even the most searching objections. Sometimes two or three months are spent in the factory by a new salesman, who learns not only all the details of the manufacture of his goods, but also acquires much valuable information in regard to the workings of various departments that are involved in the distribution of the goods, such as the Shipping Department, or the Credit and Collection Department. During his stay in the factory, the new salesman is given instruction by means of printed literature and lectures in regard to the various details of the business.

With regard to training at the factory or branch office, a few cautions should be observed. Sometimes experienced salesmen are brought in for training at the same time with beginners. It is best that these should be kept separate. The instruction should be always informal and the conventional school room atmosphere should be avoided. The room equipped for use as a class room should resemble as little as possible in its arrangement and furnishings a typical school room.

An important factor in any system of training is the teacher. He must be a man who combines practical experience with undoubted teaching ability. He must be forceful enough to drive home the basic points in his program, but tactful enough to do this without creating friction. He must be able to give attention to those he is instructing as individuals so that he can vary his methods to suit each person instructed.

What Is Taught

A typical course of training for salesmen includes the following topics:

(1) Complete details in regard to the product, its manufacture, the raw materials that enter into its making, etc.

(2) The organization of the company, including some details in regard to the history of the firm, a clear statement of its policies, and information in regard to the working of every department, so that the salesman knows just what happens at the home office every time he sends in an order or report from the time his letter is opened until the goods are sent out on their way to the customer.

(3) Some training in general business principles is necessary, especially when the new salesman lacks practical experience. Many concerns that sell goods to retailers include in their course of training considerable instruction in retail merchandising, so as to enable their salesmen to help customers to conduct their business more efficiently, and in this way to win good will that means larger orders. Many salesmen are qualified by such training to give retailers helpful advice in regard to advertising, accounting, display, and store arrangement.

Training in the Field.—Even though he may have received a course of training at the factory, a new salesman may need a little coaching from an experienced salesman before he can get well started. The length of time that is spent in field training of new salesmen varies from a few days to several weeks. The coach must be carefully chosen. In addition to his practical experience he should be patient, sympathetic, and tactful. He should be fully versed in the approved selling methods of his house, and should believe in them.

The coach starts by making a few sales, which are closely observed and studied by the new salesman. Then the new salesman is given a chance to show what he can do. A shrewd coach should use good judgment in the selection of prospects for the new salesman to work on at first. If he knows that the new salesman needs to develop confidence, he will pick out prospects that are easy to handle. On the other hand, if the salesman is a little bit too sure of himself, the coach can take away some of his conceit by steering him up against a rather difficult prospect from whom it is not easy to obtain an order. After the canvass is over, the coach should discuss it thoroughly with the new salesman, calling attention to the strong and weak points in the new salesman's work and thus paving the way for improvement on the next canvass. Some concerns employ skilled salesmen exclusively for the purpose of coaching. They travel around constantly, keeping in touch with a group of less experienced salesmen. It has been found that not more than six salesmen should be placed in charge of one coach in order to secure the results desired.

Some companies having large sales forces and numerous branch offices have had success in operating traveling sales schools conducted at the branch offices. In this way all the members of the sales force are given the opportunity to secure the equivalent of a course of training at the home office without the expense of traveling. A suction sweeper company limits its traveling sales school to a three days' intensive course. A big life insurance company conducts a three weeks' course for its agents at various central points. It is necessary for the success of a short intensive course that the person in charge should be a man of unlimited energy and vitality and that he should have his course of training so well organized and simplified that he can make the fullest possible use of all the time available for instruction at each branch office he visits.

Training by Correspondence Courses.—Training new salesmen by means of a correspondence course has several advantages. It is less expensive than it would be to pay the new salesman a salary (as is often done) while he is attending the school at the home office. New salesmen who are taking a correspondence course can at once apply what they learn from each lesson. Furthermore, writing out the answers to the questions of a correspondence course serves to fix in the minds of the students the principles involved.

The subject matter of a correspondence course is similar to that included in a course of training at the home office. The material included in the course should be divided into parts of 20 to 30 pages, and when the student sends in his written work for correction to the home office, he should receive instruction service that will be definitely helpful and educational. The questions should be so planned as to force the student to contribute as much as possible from his own experience in writing out his answers.

Care should be taken to follow the progress of the student salesman closely to insure regular study. Some incentive should be offered for completing the course. In one instance, the salesmen were penalized by having a charge of $5 made against their account if they didn't send in one lesson a month. Such a method is not so good as some plan that rewards students that complete the course.

Some Distinctive Methods of Training

The following concise summaries typify some of the advanced methods of training salesmen that have been adopted by progressive concerns.

Training Inside Employes for Salesmen

The policy of the Borden Sales Company is to train as salesmen men taken from among their own inside employes. The field organization consists of district sales managers, each being a Borden-trained man. The principal work of the district sales manager is the proper selection and training of the men to cover his district. Each Borden salesman is given as much personal supervision and training as possible. By promoting their office men, stenographers, and other assistants to the sales force, the Borden Company finds that the men are all equipped with valuable inside knowledge of the house and its methods to start with and their loyalty and efficiency are increased when the men know that the company prefers them for the jobs "higher up."

Intensive Preliminary Training for Auto Salesmen

In one large auto concern the new salesman is first thoroughly instructed concerning the technical details and merits of the car and is then given a written test covering thoroughly the information contained in the course of instruction. When the new man has learned the policies of the house and is well equipped with selling arguments, he starts out directly under supervision of the sales director. In a few days an assistant accompanies him in calling on prospects, and shows him how to find and follow up prospects. Each day the work of the previous day is reviewed with an executive of the sales department. In this way the new man is soon able to stand on his own feet. A valuable part of this company's training policy, too, is the constant assistance and cooperation given to the salesmen by the executives in various departments.

Intensive Home Office Training

The Baker-Vawter Company, manufacturers of loose-leaf systems and office equipment, requires all successful applicants for sales positions to come to the general office at Benton Harbor, Mich. There they are given a thorough course of training for seven or eight weeks, after which they are assigned to territories under the supervision of a reliable manager. The district managers are men who have had successful selling experience with the company and are well qualified to give each salesman the special training he needs to equip him for the work. Each man is furnished with a sales manual containing valuable information regarding the house policy and the uses of the various Baker-Vawter systems, and additional helpful information is circulated

among the men from time to time through a house organ and bulletins.

Factory Training and Field Instruction

The Sherwin-Williams Company gives new salesmen factory training plus the necessary field instruction. The new salesmen are brought to the factory for two weeks, during which they gain valuable information in regard to manufacturing methods. The first week is devoted to instruction regarding the paints and varnishes, and their ingredients, manufactured by this company. The second week is given over to trips through the various departments of the home office and manufacturing plant, instruction regarding the advertising helps furnished by the company, and to study of such products as insecticides, disinfectants, and soaps. Following the two weeks at the factory, the men are put on the road for two weeks and are then brought back to the factory for more intensive training, the idea being to emphasize the importance of thorough preparation by allowing the brief actual experience to show to the men their need of instruction. This concern also furnishes its salesmen important selling helps, among which is the manual called the "A B C of Home Painting," which enables the salesmen to know at once which particular paint is best for each job. Periodically sales managers make extensive trips through the territories and give the new salesmen any advice or help that they need.

An important factor in the growth of this company has been the instruction work carried on for the benefit of retail dealers. A mail course in Retail Paint Salesmanship is carried on, consisting of series of bulletins attractively bound, and containing inspirational and instructive material of various kinds. The Sherwin-Williams salesmen cooperate by helping dealers build up a paint business in their territories; the salesmen often go out and actually land the contract for a job to be turned over to the dealer when necessary.

A School for Branch Managers and Assistants

The Fuller Brush Company maintains at Hartford, Conn., a school for branch managers and assistant managers. Thorough instruction is given through lectures, demonstrations, and class work by the men, after which a series of tests is given and each man must attain a certain percentage to be accepted as a branch manager, or assistant manager. The salesmen are trained in turn by the local branch manager, and their training is supplemented by a correspondence course in salesmanship which the

Fuller Brush Company has developed for meeting the peculiar requirements of its sales work.

Experienced Salesmen as Instructors

One large concern uses successfully the method of putting the new salesmen on the road at once under the supervision of an experienced salesman. The new man watches his instructor for a day or so, when he generally strikes out for himself, and appeals to the experienced salesman to help him over his difficulties, when necessary. After a period of ten days' instruction, the new man is generally able to get along by himself. The experienced salesman is paid a bonus for each day that he works as an instructor.

Six Months' Special Training

The preliminary training period for new salesmen for the Monroe Calculating Machine Company lasts six months. The training begins at the local office, where the candidate is instructed on proper methods of approach, handling objections, and giving talks about the commodity. Competent instructors and district managers have charge of this training, which lasts two or three months. Then the prospective salesmen are sent to the factory for four weeks where mechanics and repairs are studied, and the new men learn how to make out standard reports with the Monroe machine, also, to make proper use of advertising material furnished by the company. At this period each salesman must pass a test in the presence of the company's executives and the other members of the class, when he becomes a junior salesman under the guidance of an experienced salesman. After six months spent as junior salesman, he is given a territory.

Intensive Training at the Home Office

Holcomb and Hoke, manufacturers of the "Butter Kist" popcorn machines, bring the new salesman to the headquarters at Indianapolis, Ind., for four days of special training. So unusually well-planned is the course of training given by this concern that all the instruction that the average beginner needs to sell the machines successfully is given during the comparatively short time of four days. The new salesman is first given an idea of the policies of the company and of the work that has been done, particularly cases where selling work has been very successful. Following this each man is taught to demonstrate the machine properly, and how to make a sale, using an actual popcorn machine. Emphasis is placed on thorough knowledge of the mechanical construction of the machine, the use of the different models, and

forceful methods of closing sales. Then the advertising manager explains how the advertising department will cooperate with the salesman in taking care of inquiries. This part of the training is important because one-half the business done by this concern comes through the inquiries developed from its national advertising. The credit manager also instructs the salesmen regarding the proper methods of submitting orders and supplying credit information to the home office, and each salesman is furnished with a book entitled "Salesology," which contains helpful information of various sorts. One section of this book deals thoroughly with the best methods of overcoming the objections which the salesman is likely to meet. The men are also tested in regard to their intelligence in making use of the printed matter, testimonials, photographs, and other items of the sales kit.

Sales Conventions

The practice is growing of holding a yearly convention of salesmen, generally at the factory or Home Office. When an organization is large and covers a wide territory, the convention is an invaluable means of increasing the spirit of cooperation among all the sales force and of imparting necessary impetus to new schemes that the sales manager wants worked out. Every good salesman has some ideas on getting business that can be made of value to others. A sales convention affords a means of drawing out the useful ideas and creating new enthusiasm. Often it affords a good opportunity for the training of new men.

When and Where to Hold a Convention

Because a convention takes the salesmen away from their regular work, it is often best to hold it during the slack season that occurs in most lines of business annually. In some cases more frequent gatherings are necessary; an annual national convention is held and several smaller or district conventions during the year. Sometimes several conventions are held in centrally located cities, the principal executives attending each in turn. A few concerns call in district managers and salesmen in small groups. Sometimes district managers only are called together. The assumption is that they will communicate to those around them the enthusiasm and the new ideas they get at the convention.

Duration of Convention

The convention should be long enough to serve adequately the purpose for which it is planned. Usually from two to five

days is sufficient. Three days gives ample time in most cases. Some sales managers favor Monday to Wednesday inclusive as the best days for a convention so the men can use Sundays to travel in. Others prefer Thursday to Saturday to give rest afterwards. When Wednesday, Thursday, and Friday are used, it gives the men Saturday and Sunday to get home and Saturday for inside workers to clear up in preparation for the following week.

The Program

In order to have the convention yield good returns for the money invested the program must be planned very carefully, and the details arranged well in advance. The men are more likely to be interested if they take an active part, so various salesmen may be scheduled for five-minute talks on carefully chosen topics, the topics of course being assigned well in advance. The messages of the better men should have a definite educational value, with useful points to be driven home for the benefit of the others.

Committees

The value of carefully selected committees to handle the details should not be overlooked, for when arrangements are systematically made beforehand for the proper handling of the various features the success of the convention is assured. Everything should be done to arouse interest by advertising the convention to the men in letters, bulletins, and the house organ; then the convention must be planned to keep interest sustained and also provide some entertainment features that all will like. Assign the men to the committees they are best fitted for.

Get the Right Chairman

The selection of the right man for chairman is most important. He must possess a genial personality and tact enough to preside over the gathering agreeably and efficiently. He must insist on speakers keeping to their allotted times for speeches and see to it that debates between controversially-minded persons do not make the convention drag. He should be on the alert to break up groups that talk among themselves and disturb others.

Select Interesting Speakers

Outside speakers should be chosen with care. The aim should be to secure men who have a real message. Their talks must not be too long or general, but in thorough accord with the

Courtesy The National Cash Register Company

SALES—SALES MANAGEMENT

The National Convention of a highly trained sales organization,

spirit of the occasion. Inside executives of course will be present. The president and credit manager may give short talks. The address of the advertising manager may be made a special feature; it may come near the close of the convention, so that the men will depart for their territories posted as to what the firm is going to do to help create business during the coming year.

Entertainment

It is a mistake to entertain too lavishly. Though a banquet is always an attractive feature, there is generally no need to add to expenses by feeding the men too heavily and overdoing in the matter of decorations and amusement features. A smoker may be suitably staged, or a theater party arranged one night, but the idea must be kept always in mind that the convention is not merely a "get-together" scheme, but that the firm has a right to expect that each man will take away valuable business-getting ideas as a return for the money invested. Outdoor conventions in the summer time solve the problem of keeping the men alert and giving them a thoroughly enjoyable time. But the success of these must depend on pleasant weather.

The ideal sort of entertainment for a convention is that in which some vital point regarding the business may be driven home, accompaied by a well-directed appeal to humor, curiosity, or some other element of human interest. Many sales managers aim to visualize their stories through graphic charts, diagrams, and models. For this purpose motion pictures and stereopticon views are often valuable. Actual demonstrations, if well staged, are very effective. For example, at a National Cash Register sales convention an especially written play was presented, showing how modern methods could give life to a run-down business. Special scenery was used, showing a store interior complete in all details, and the president of the company took a leading part.

Using the Show Idea

A large electrical products concern held its convention after the style of a carnival, having a large number of booths with various "barkers" to draw attention and promote merriment. At one booth was a paddle-wheel. Salesmen were given numbered tickets, and when the wheel stopped the salesman holding the ticket corresponding to the winning number drew a prize. Some prizes were valuable, others were merely for fun-making. Of course each number was a key to some electrical product made by the concern, and every time the wheel stopped a short educational talk was given by a competent speaker. Thus the pad-

dle wheel was a very useful feature, for it combined entertainment and instruction in an interesting way.

Things to Avoid

The success of a convention depends primarily upon the definiteness of purpose for which it is called and the efficiency with which the program is carried out to secure that purpose. The first speaker should sound the keynote, and the succeeding items of the program should be planned so that each lends its weight to the success of the affair, carefully avoiding the rocks on which many conventions are wrecked. In this connection, the following are things to avoid:

1. Don't allow discussions of minor points to hinder speakers who have important topics to present.
2. Avoid rehashing of some old topic that has been settled before.
3. It is best not to have talks directed *at* men, but rather *for* them. Their minds will not be so receptive if they feel that fault-finding is back of some of the speeches.
4. Avoid over-formality—that is, having formal set speeches which discourage free discussion. A convention is primarily for exchange of ideas.
5. Don't place too much emphasis on entertainment and amusement. See that all have a good time, but don't allow good times to put the real issues in the back ground.

Follow Up on Results

If the salesman goes home after the convention in a satisfied frame of mind, having reaped valuable new ideas to use in his work, the time and money have been well spent. To cash in on results, the sales manager should see to it that the ideas brought out in the convention are properly supported and carried out. It is a good plan to have some of the talks printed for distribution among those who were not present, or to furnish at least a summary of important features touching on work in the field. The salesmen who were present will of course be willing to go ahead with plans that they helped to outline.

Sales Contest

The conditions under which the traveling salesman works are such as tend to make him easily subject to discouragement. He must often work alone, without the close supervision of his superiors and without the stimulus of fellow workers to spur him on. Besides his work is intensive, and nerve-exhausting. The

physical hardships involved in putting up at poor hotels, having irregular hours of sleep, depending on uncertain meals, and riding day after day on dirty trains tend to make him lose his "pep." He is apt to become depressed at times and to feel that his efforts are not appreciated, especially if he is not in close touch with the Home Office. A sales contest puts some variety into the work and shows the salesman that there are others who are working under the same conditions that he is. It shows him how he sizes up with the rest of the sales force, and, incidentally, awakens him to the full possibilities of his work.

Elements of Successful Contests

Careful Preliminary Work.—The contest should be well thought out and ample time devoted to working out all details before it is started. It is fatal to success if the plans have to be changed afterward owing to some condition that was not anticipated.

Give an Equal Chance to All.—Each man must be given an equal chance to win, otherwise some will be cold. By handicapping some of the better territories the chances for all the men can be evened up.

Sell the Idea First.—The men must be thoroughly sold on the idea in advance. By carefully boosting the contest well in advance in the house organ and by bulletins and special letters, much can be done toward insuring its success.

Interest the "Higher-Ups."—The sales manager should enlist the aid of the big man of the firm as far as possible. Often a salesman will work harder for a signed letter of congratulation from the president of the firm than he will for a cash prize.

Keep All the Men Going.—The progress of the men should be watched closely. The sales manager should especially keep after the laggards. He can use proper methods to spur on each one so that a real thrill may be provided by some "dark horse" who gets ahead of the leader.

Arouse the Team Spirit.—Pair equal territories against each other. This often gives a valuable added incentive, particularly where the men are very loyal to a local manager or the one who is in charge of their team.

What to Avoid

Don't Overdo the Contest Idea.—If too many contests are run in succession they lose their value. It is a great mistake to use the contest indiscriminately, for when the novelty element is lost the contest falls flat.

Don't Fail to Guard Against Unfavorable Results.—The tendency toward hurried salesmanship must be overcome by carefully planning the rules so as to guard against overstocking and subsequent cancellations.

Don't Stage a Contest at the Wrong Time.—When general or local business conditions are decidedly against the success of the contest harm rather than good may be done by the inability of the men to make a good showing in proportion to their efforts.

Don't Overdo the Inspirational Work.—If the manager can strike the happy medium between using too much of the "hurrah" stuff and writing lukewarm, matter-of-fact bulletins, he is more apt to accomplish the desired results.

Prizes.—Prizes must be carefully selected according to the nature of the contest that is being conducted. While cash prizes are generally most acceptable, the prize must not be so large that it is out of proportion to the honor of winning. It is not necessary to offer prizes that are very valuable, for it is the honor of winning that counts.

Merchandise Prizes

Most men like a prize that they can treasure or value as a lasting reminder of their victories. Hence the popularity of merchandise prizes. Watches, traveling bags, umbrellas, fountain pens, and safety razors may be offered. Sometimes it is well to give something that the salesman can share with his family, as an automobile or a chest of silver. Such a prize enlists the support of those at home and gives the salesman a double incentive to try to win.

The Point System

The point system of scoring results in a contest is admirably adapted to the requirements of a business where the line of products is diversified and territories offer unequal possibilities. Salesmen may score a certain number of points for calls made, new customers obtained, largest order on high-priced brand, etc., or for lowest amount of cancellations, lowest expense in proportion to sales made, fewest past due accounts, and so on.

The Hundred Point Club of one well known organization is composed of men who have made at least 100 points a month for the entire year. It is considered such an honor to be a member that the salesmen work zealously to obtain it. The names of the members are widely advertised in the house organ, and every means is used to stress the distinction of the lucky salesmen who attain the goal.

Some Feasible Ideas for Contests

The Burroughs Adding Machine Company uses the baseball idea very successfully. The contest is staged through baseball posters, cartoons, or baseball diamond score boards, and the organization is divided into teams, each team having an appropriate name. Each of the teams has a game with each of the other teams, and the interest becomes intense toward the end of the contest.

The Yawman and Erbe Company used a contest based on a horse race, with good results. The contest was divided into three heats, during October, November, and December, each heat lasting a month. The salesman with the highest percentage of his quota in each month was the winner in the "heat" but having three "heats" made the contest much more interesting. Each month or heat was divided into five periods and the monthly quotas were then divided by five in order to get a fair basis for comparison during the different periods. Three prizes were awarded each month, $75, $50, and $25, to the salesmen having the highest ratings in proportion to their quotas.

The Parker Pen Company conducted a very successful trip-around-the-world contest. The idea used was to have each man in imagination make a trip around the world. For every hundred dollars worth of sales he was pictured as covering so many miles from the starting point at Janesville, Wisconsin, where the factory is located. Careful reporting had much to do with the success of this contest, in which the men were pictured as reaching certain well known cities, getting stranded in a desert or in the ocean, or seeing the sights in European and other foreign countries.

An unusually timely adaptation of the thermometer idea was made in the contest recently conducted by the Extension Department of the Y. M. C. A. The contest ran through June, July, and August, the warm months, when it is natural for the salesmen to relax their efforts. To provide an incentive in the first and second months prizes began as soon as the salesman reached the $1,500 mark. The man who first reached this mark was known as a "Sizzler." The earning of his first premium placed him in the next higher class known as the "Hot One" class. When the Hot One reached $3,000 in sales, known as the "Popping Off Point" he became a "Super-heater" and went into the third class. After the salesman reached $4,500 he was said to have exploded, but nevertheless he had opportunity to win other prizes for each additional $500 worth of business. The prizes were all uniform—$10 gold pieces.

The salesmen worked under their district representatives, and there were fifteen districts. To the district whose representatives were in the lead at the close of the contest was awarded a $10 gold piece for each contestant reaching $1,500 gross business or a larger total. An additional prize was given to the district representative whose district led in the total of production from all sources.

The standing of the contestants was pictured to the men graphically and frequently with bulletins, cards, and letters showing large thermometers marked at various degrees of heat representing a certain amount of sales. Thus 30° represented $3,000 in sales or the "Popping Off" Point; 45°, $4,500, or the "Exploding" point.

Another excellent idea is Building a New Addition to the Factory. The Burroughs Adding Machine Company used this by having each brick represent a sale, and adding bricks to the score board as the building progressed. A similar contest was held by Frederick Stearns & Company in which each team was given a certain part of the factory to build by June 1. Prizes were awarded to the ten men who did the best work on the building, with a big box of candy for the wives or sweethearts of the five highest.

Contests of a humorous order often bring astonishingly good results. One firm manufacturing paint put on a comic contest to stimulate the sale of screen paint. The men were divided into two teams, the Boneheads and the Ruffnecks, the prizes being stick pins from the 10c store with flies on them. A high sign was created—bringing the hands together with a resounding swat, and each week the leading salesman was elected to the office of Grand Swat. Silly as this sounds, it sold more paint in one month than had been sold in any four previous drives.

Proper reporting of the contest in bulletins, house organs, and letters and frequent posting of salesmen's comparative standings is the main factor in making any contest a success.

The Sales Manual

Concerns that carry on aggressive sales work have found it profitable to prepare sales manuals in which is published information that is vital to the success of salesmen—information that will instill loyalty, acquaint the salesmen with the house policy, and enable them to produce better results. Surely the salesman who has a manual for his guide—a book that gives him a knowledge of the history of the business, history of materials, methods of manufacturing, the strongest selling points of the products,

answers to objections, etc., has a decided advantage over the man who is sent out without the help of such information.

Obviously, it is essential in preparing a manual to avoid meaningless generalities, which weaken so many sales arguments. A well prepared manual should represent definitely the experience of many years and many men, and give the new salesman in concise form what he would be years acquiring by any other method. The arguments must be presented from a point of view that will interest the hustling salesman on the road, and convince him that the sales ideas will work, or the manual will not have a strong influence in increasing sales.

It is evident, therefore, that the manual should be made an essential part of the salesman's equipment and carried constantly, as it gives standardized methods by which a salesman can work to great advantage.

Sources of Information

Perhaps the best source of information for the manual is the salesmen themselves. If salesmen are asked to contribute, they will feel that the proposition is a cooperative one, and that the ideas are usable and practical, as they represent the arguments used by the best men on the road. Then when the manual is handed out, it will be received enthusiastically.

Letters may be sent to the salesmen asking for a list of objections which they find most difficult to meet. The objections should be classified according to the vocations of the persons offering them and submitted to salesmen who are especially successful in handling persons in those vocations, with a request for the best arguments for meeting the objections. These salesmen may also be requested to give examples of good approaches and their methods of handling demonstrations, and closing sales.

Other sources of information for the manual are the annual sales conventions and stenographic reports of daily sales meetings. The house organ and bulletins, too, will give valuable selling suggestions, which should be arranged in a usable manner.

What a Manual Should Include

The contents of a manual obviously depend on the needs and problems that confront the organization. However, there is certain sales material that nearly every company should supply to its salesmen. For example, the Baker-Vawter Company, which manufactures office equipment, divides its manual into nine major sections, as follows:

The Company
The Product
You (or the Salesman)
Your Territory
Your Samples
Records and Reports
Advertising
How to Sell
Systems and Service

It should be noted that the manual begins with an introductory page which explains the purpose of the manual and urges salesmen to study it thoroughly and use it constantly.

The outline of the sales manual issued by the Pyrene Manufacturing Company, Inc., will be of interest, because the numerous details will have considerable suggestive value to sales managers who contemplate the preparation of a sales manual.

The outline is as follows:

1. Index of Contents.
2. Use of Manual and Introductory Remarks.
3. General Instructions to Salesmen.
4. Salesman's Equipment.
5. "Don'ts" for the Salesman.
6. Insert of Printed Book Covering Various Uses of Product.
7. General Details of Salesman's Work such as—
   - Developing Jobbers and Dealers
   - Opening New Accounts
   - Credits and Collections
   - Expense Reports
   - Daily Reports
   - Planning Day's Work
   - Terms, Prices, etc.
   - Making Out Route Lists
8. The Product
   - History
   - Description of Models
   - Mechanical Details
   - Uses
9. Instructions for Various Kinds of Demonstrations.
10. Selling Talk on Each Product.
11. Advertising Plans, Sales Helps, etc.
12. Packing and Weight Lists.

13. Specifications or Applications by Classes of Business.
14. Mounted Samples of Folders, Booklets, Newspaper Advertisements and Other Advertising Matter for Dealers.

Mechanical Make Up

A review of the manuals put out by 80 well known concerns shows that there is a great variety of sizes, varying in the size of the page from 14×20, which is the size of the manual issued by the Packard Motor Company, to 2½×5, which is issued by The Quaker Oats Co. 8½×11, however is a popular size, though several concerns, perhaps 25 or more, use a smaller size, 6×9, 5½×8½, 4×6, and so on.

The number of pages these manuals contain varies of course, too. The one issued by the Addressograph Company contains 500 pages; the one put out by the Burroughs Adding Machine Company, 400 pages; while a certain electrical company issues a manual with only 16 pages. Others run from 30 to 200 pages. The size necessarily depends largely upon the use to which the book is to be put. If it is to be carried on the road it should be smaller than if it is for office use or for use by city salesmen or automobile salesmen. Several concerns use the pocket-size manual because of its convenience, and of the dislike of some salesmen to open up their brief case or bag for the manual.

In regard to the style of binding, preference is shown for the loose-leaf form. With the loose-leaf style the necessary changes and additions can be easily made and it is possible to vary the manual to suit circumstances. For instance, some parts might appeal to salesmen who work on a straight salary; while other parts would be for salesmen who work on a commission, or for branch managers or dealers. The essential thing is to have the data conveniently arranged and indexed properly, so that the salesman can find easily any information and file readily any new material. The new material furnished is a reminder that salesmen are kept posted on up-to-date matters; and when they insert new pages their attention is likely to be attracted to some new feature in the manual by which they can profit.

Many of the eighty concerns referred to realize the value of including illustrations in their manuals, and a few use charts—the Brown Shoe Co. of St. Louis, Mo., and the Chicago Tribune, for example. The sales manual of the Packard Motor Company contains forty plates in color.

While the manuals of these well known concerns deal principally with a treatment of the goods and service, general salesmanship instruction is included in most of them. Some concerns

devote a separate part of the manual to a rather detailed presentation of the basic principles of modern salesmanship. Others prefer to weave the salesmanship instruction right in with the specialized discussions of the various topics that make up the manual. For instance, in the section dealing with objections there might be a presentation of the general principles of salesmanship that operate in handling objections, followed by a thorough discussion of the specific answers salesmen have found most helpful in meeting objections peculiar to the line of business under discussion.

Things to Observe in Preparing a Manual

Be sure that the manual furnishes the information suitable to the needs and problems of the salesmen.

Encourage the salesmen to contribute their best selling talks. Make them feel that it is their manual. In other words, "sell" it to them; make them responsible for its practicability, and its up-to-dateness.

Make the information ring true. Give specific examples and illustrations of good selling and talking points and eliminate all abstract arguments. Avoid including too much technical data that is not used in selling work.

Incorporate inspirational messages that will spur the old men on the road and encourage the new men.

Make the manual of a convenient size. Arrange the material logically and index it properly. Adopt a style of binding that will make the insertion of new material easily possible. Give the manual an attractive name, as Facts for Ready Reference, Salesman's Handbook, The Welchman's Handbook (the manual of the Welch Grape Juice Company), Information Book, or some less stereotyped title than Sales Manual.

THE SALESMAN'S EQUIPMENT

EQUIPMENT means anything the salesman carries to help in selling—even personal cards. In order to be of convenience to salesmen and to have the proper force of sales appeal, the equipment should be compact, complete, and should always be kept in good order.

Three General Principles Govern Its Use

1. The equipment should aid in obtaining an interview.
2. It should assist in making sales.
3. It should be as simple as possible.

Advance Cards

The first item to consider in obtaining the interview is the advance card, which is sent to notify the prospect that the salesman will call on a certain date. Some concerns use the ordinary government postal cards, which are all right when the salesman calls on a regular trade and his visits are looked forward to with more or less expectancy. But where there is more need of arousing interest and making an impression on buyers, a more elaborate card is necessary. A study of advance cards used by different concerns shows a great variety. Plain postcards are sometimes used with printed announcements on them. Some salesmen use cards that are frankly humorous; others use cards in which dignity is the predominating quality. Of course, the value of the advance card is increased if it is in a form such as to be useful. Thus some firms mail attractive blotters to their customers which will be kept on the customer's desk and act as reminders. Another clever idea is to send a card with a list of the company's products from which the customer may check off his needs.

Business Cards like advance cards afford opportunity for cleverness in the injection of increased advertising value by the use of novel combinations and arrangements. As a rule, the salesman's business card should be of good quality. It is also important not to have the card tell too much, so that the prospect's curiosity is satisfied and his interest dulled. Some clever salesmen get along without cards, but there are times when it is impossible to see an important man without a card.

An interesting method of getting a hearing is the one used

by the H. D. Lee Mercantile Company, manufacturers of Lee Union-Alls, or one piece overall-suits. This company requires its salesmen to wear the suits when calling on prospects, thus affording an excellent opportunity for developing interest in the goods right at the start.

Equipment Should Reinforce Sales Talk

To assist in making the sale, the best equipment is that which makes a strong appeal to the eye and reinforces the sales talk. Sales managers are coming more and more to realize the importance of impressing the prospect through the sense of sight, and many use moving pictures to show operation of machinery, explosives in action, and various manufacturing processes. Clothes are displayed on living models. One salesman selling dog collars takes along a thoroughbred dog to pose for him while he displays his line.

Samples Should Be Compact, Uniform, and Complete

The samples should be fresh and new-looking, and they can only be kept so by care in displaying and handling them. If a container such as a suitcase or portfolio is used, it should be of fine quality and preserved as much as possible through careful use. The items carried should be so arranged that they present an attractive appearance in use, and are compact when packed up for travel. The salesman should find everything ready to hand, as he needs it when giving his talk, for delay in looking for some article at a crucial point in the sale causes the prospect's interest to wane, and brings the risk of losing the sale.

Don't Show Too Many Samples

Where too large an array of merchandise is presented it confuses the buyer, and actually kills sales. Only the more attractive items should be utilized and these should be displayed very carefully, to foster interest and desire on the part of the prospect.

Simplifying Equipment

There are several purposes in simplifying the sales equipment.

The first is to save money on excess baggage, and cartage, as well as the cost of producing and maintaining many large trunks or extensive lines of samples.

The second purpose is to conserve the salesman's energy as far as possible. The reduced sample line increases the number of calls the salesman can make daily, and enables him to be in

better condition to confront the customer than when he is tired out from carrying heavy sample cases, or bothered with arranging for the delivery of several large trunks.

The third purpose is to save the salesman's time, for he doesn't have to wait for trunks to arrive, to unpack a huge assortment of samples, then pack up again, nor is he obliged to arrange for a convenient place to display the large line.

Methods of Simplifying Equipment

Since it is so important to avoid overloading the salesman all possible methods of simplifying the equipment should be carefully considered. Three methods are quite extensively employed.

1. Eliminate unnecessary items. Certain numbers that can be sold without showing samples may be withdrawn from the sample line. Or the salesmen may be instructed and prepared to sell without samples at all. This would be practical with a staple line for which there is a well established demand.

2. Furnish some regular buyers with samples, sufficient in number to fill their needs, as is done by some well known paper manufacturers.

3. Use photos instead of samples. This saves weight, the cost of preparing an elaborate sample line, and generally results in increased sales, as the men are able to make more calls, and it is easier for customers to look over the samples.

The Glidden Company finds the use of portfolios very satisfactory. This company's line is admirably adapted to sampling by means of the portfolio, and under their system, three separate books are provided, one for the salesman, one for the dealer and a sales promotion folio for both. The portfolio is bound in leather and contains beautiful reproductions in colors showing interiors and exteriors where Glidden paints were used. Such an exhibit makes a definite appeal to dealers and impresses them with the quality of the goods in a very striking way.

Cooperating With Salesmen

An astonishing large number of concerns, when asked what obstacles their salesmen have to encounter most frequently, show by their replies that they do not know. In other words, they are not keeping in touch with their men, and helping them solve their problems.

Loyal cooperation, which is the biggest thing in sales management, means that the sales manager gives an individual touch to all transactions with his salesmen. He keeps in close contact

with them by personal visits or by letters, and stimulates them by bulletins, house organs, and other available literature. When there are important changes in policy, personnel, methods, or management in a house, it is the sales manager's duty to see that every salesman is posted on the facts, and given as many details as concern them and the trade. Without such cooperation no selling organization can be efficiently carried on because the men will not be trained to bring out their best efforts.

Sales Manager's Visits to Salesmen

Cooperation can best be secured by coming into direct contact with the field force. If the sales manager can get personally acquainted with the salesmen and their families, he can instill a loyalty and enthusiasm that cannot be aroused otherwise.

Arrangements should be made for at least two visits a year to the salesman's territory and during these visits the sales manager should give practical demonstrations and teach approved methods of doing business. Talks and demonstrations inspire the men and give them more respect for their jobs and for their house. Of course, if the territory is a large one, it will be necessary for the principal assistant to do some of the traveling and the sales work for the sales manager. The routes should be arranged so that the sales manager gets to see all of his salesmen at least once a year; for instance, the salesmen visited by the assistant on one trip should be visited by the sales manager on the next trip.

Factory Visits

It is obvious that the salesmen should pay occasional visits to the place of production, for these visits will do much to keep up the spirit of cooperation. The seeing-is-believing principle works out here. The salesman who has seen the National Cash Register in its various stages of manufacture knows how carefully his machine is made, which gives him a confidence in his product that cannot be acquired in any other way. He will take pride in his firm and can turn this pride to good account in actual sales.

Letters to Salesmen

One well known sales manager, interested in developing a certain part of his business, decided that the best way to secure the cooperation of the men in the field would be to write a letter each week to them. He concluded that rather than preach, the

letters should demonstrate and instruct. Two letters each month were devoted to the actual selling of the firm's products and the standing of the various salesmen with the idea of inspiring the salesmen to give special attention to the particular line in question. The other two letters sent out during the month dealt with salesmanship in general, with the object of elevating the ideas of the men in regard to their profession. He feels that the second type of letters produces the better results, as such letters have the effect of developing a higher morale in the sales force.

Another well known sales manager uses a somewhat different plan. He reproduces letters from men in the field in which they tell the story of their progress in sales work. There can be no misstatements, for each letter is edited by the sales manager himself. The letters are reproduced on a duplicating machine and go to the entire sales force just as they came from the men who wrote them. They are interspersed by short comments by the manager himself, which bring out his viewpoint.

It is just as if each of the men, from Maine to California, could be brought into the sales manager's office regularly and induced to talk over the situation for the benefit of the entire organization. If Smith out in North Dakota has lost a sale through inability to meet competition on a certain point, the sales manager might say to him, "Well, here is Brown of the Maine District who encountered a similar case. He disposed of it and won out by using this argument."

The Tone of the Letter

While the mechanical make up of the letter is important, the vital consideration is obtaining the proper tone. This means that the letters cannot be written by one who slavishly follows a certain set of forms, or by the person who boasts of the ability to write several hundred letters every day. The really effective letter writer must not only have a keen insight into human nature, but he must possess real optimism, have a thorough knowledge of and confidence in the business, and display a sincere spirit of helpfulness. Such ability must be acquired by long experience or by careful training plus experience.

There is no part of the sales manager's work that calls for more tact and real executive ability than his letters to his men. The salesman necessarily meets with many discouraging circumstances—hard times, poor hotels, overstocked dealers, etc., and needs not criticism but encouragement. Nothing will discourage a hard working salesman more than a fault-finding letter from the sales manager. The right kind of a letter has a sincere

friendly tone which shows the men that they have a friend and a helper back at the home office.

Letters of Inspiration

A traveling salesman for a soap manufacturer who had not been producing his usual good results, received the following letter from his sales manager:

DEAR MR. HOWARD:

Eight years ago, when I started to work for this company, you were just beginning your career as a salesman in Harrisburg. Business was low all over the country at the time; the volume of our orders had dropped 50 per cent.; and the home office was daily flooded with complaints from salesmen, in which they told of their inability to secure business, of the number of competitors in their routes, etc., and asked for advice and help that would get them out of their difficulties. It took a great deal of skill and patience on the part of the officials to keep things going smoothly and for a while things looked rather dark.

It was right at this point that the company awoke to the fact that they had a man in their employ who was not only an able salesman, but one who could keep cool and dig in while others were complaining. Always alert and ready to "jump in" when his time came, this salesman formed a campaign, whereby the salesmen from six cities in the locality of Harrisburg were to form a club and by their combined efforts overthrow the barrier of slow business that was holding all the salesmen in check. Although this plan necessitated a great deal of hard work on the part of the men involved, it succeeded wonderfully and the first sales report that came in from this group of six showed an increase of 40 per cent. Salesmen everywhere began to wonder how this piece of work had been accomplished and who had been the originator of the scheme. The only answer to the first question was that the record had been the result of combined effort, but we at the home office knew who was at the bottom of it and if you remember, in the next issue of DOLLARS AND SENSE we told the field that a new man had put it over—James B. Howard, who had presence of mind enough to keep everlastingly at it.

I have watched your production ever since and have looked with pride on the record you have made. I have always taken a personal interest in you, and therefore you can readily see that it was rather a shock to me when I saw Williams, Hardy, and Jameson get ahead of you on sales production this month. You have been sick, I know—that is the only thing that will hold a salesman of your calibre down. It is bound to happen to all of us and when it does come it cannot be put off like so many other things in life. I know that you have the ability to bring in the sales and that if you are physically able, you'll do it. Therefore, I'm going to do everything in my power to help you "come back."

In Williamsport I know of a sporting goods store called THE EAGLE'S NEST. Just go over there, Mr. Howard, pick out the fishing tackle you desire; charge it to the house; and arrange to spend a two weeks' fishing trip along the Susquehanna. Don't bother about the bill—just send it to me. Forget all about business and get right after the bass! If you do half as good at fishing as you do at getting sales, you need not worry about your catch. Enjoy yourself! Do anything that will take your mind away from your work. Then when you get back we can talk business. You know such a trip is famous for putting people in trim and good spirits and I feel confident that when you return you will be able to forge ahead to your customary place at the head of the organization. You will regain your "pep" and feel able to "lick your weight in wildcats."

After you get back, I'd like to have you drop in and see me before taking that trip to Elmira and we'll go over the situation together. I have noticed a falling down in the demand for that new FOUR STAR brand of soap in your territory. Our other salesmen are keeping us busy filling orders for them, but there seems to be something the matter in your route. Is it the class of people you are dealing with, are you up against competition that we did not consider, or just what is the trouble? I wouldn't be a bit surprised if the new display package for dealers, which is almost ready to be sent out, would help you and I have another good suggestion "up my sleeve" that I am sure will prove to be of value to you. Just come down and let me have all the details in a couple of weeks.

In the meantime, go out and gather a few good fishing stories to tell me when you come back. Yours very truly,

Sales Manager.

The Two Purposes of Inspirational Letters

The first purpose obviously is to inspire the reader to become a better salesman so as to produce better results, and get business that means more money for his employer and for himself; and the second purpose is to educate the salesman how to get results. The first step, then, in writing the letter is to create a desire in the salesman to become more efficient, and the second step is to bring about a determination to carry out this desire. Enthusiasm and energy must be aroused in the salesman who has allowed himself to get in a rut. His errors must be tactfully pointed out and he must be thoroughly convinced that he can improve his methods and then shown how he can improve them, or else he will not have the proper incentive to carry out his purpose.

The educational part of the letter should not only give specific instructions and directions concerning the problems of the man on the road so that his efforts will be directed along the right line, but it should show the salesman, as far as possible, what qualities he needs to develop and how best he can develop them.

The Overuse of Ginger Letters

Every one is familiar with the story of the boy who cried "Wolf, Wolf," when there was no wolf. When the wolf really came, he repeated the cry, but no one paid any attention to him. So it is with the ginger letter. The sales manager who overdoes it finds that when he really ought to use ginger letters, they have no effect. Furthermore many such letters irritate rather than inspire. Salesmen are inclined to believe they are written by inexperienced correspondents and are not edited by the sales manager, which is true in some cases. It is necessary, therefore, that the letters should be not filled with too much ginger and pep,

but they should be intelligently optimistic, with a tone of confidence, and full of fresh sales arguments and effective new plans.

Bulletins

When it is not possible to send personal letters to salesmen, they can be supplied with mimeographed bulletins, which give the standing of the salesmen, instruction on sales work, information regarding new goods, changes in prices, etc. While bulletins are not so personal as letters, they are helpful in securing cooperation by keeping the salesman informed regarding the actions of the firm.

House Organs

House organs, too, are useful in obtaining better control over the men. They help to weld the sales force together as a unit as the men are kept in contact with each other and with the firm. The whole organization is bound closely together and kept posted on trade developments, plans of the most successful salesmen, reports of contests, etc. The idea, of course, is to stimulate loyalty, enthusiasm, and cooperation among the salesmen. Salesmen should be encouraged to contribute articles for the house organ, for then they will feel that they had a real part in getting it up and will be more interested in its contents. Many salesmen, however, are reluctant to write articles because they feel they are not capable, but the sales manager can overcome the objection by asking for merely a rough draft and then editing it himself.

To secure the greatest cooperation, it is important to make the house organ personal in tone, and not confine it too strictly to business. There should be some human interest stories that will appeal strongly to the readers. News of personal happenings of the salesmen, as vacation trips, golf scores, social functions, or the purchase of a new automobile will be of general interest and make the salesmen feel that they know each other.

Giving the Salesman a Picture of His Work Every Week

A certain executive, holding down successfully a $20,000 a year position, and gathering bonuses each year, too, after a few years accumulated forty pounds excess weight. He went to a well known institution for the reduction of corpulency. Every day when he went in, the manager made him take a long appraising look at himself in a full length mirror, dressed, then in gymnasium togs, then after the shower and rub down, dressed again. It is not recorded what was said at these occasions, but we are concerned with the result.

In three months he regained his normal weight; he was in the pink of condition; he has remained so. The three months cost him $1,500. He says $20,000 would not have been too much. He has got, he says, that much out of it all in a business way. He applies the idea that helped him in stimulating his sales force. Not every day, three times, does he show his salesmen reflections of themselves, but every week, each man gets a just but mercilessly accurate picture of himself and his work and results, or lack of them. This consists of a "peak chart" or illustrative diagram of his work.

Also there is a statistical report of his work for the week, and his results, each compared with the corresponding work of the year before; the best week he ever had; the poorest week he ever had; the composite week of all the other salesmen; their composite best weeks and composite poorest weeks; accompanied by plain, unvarnished, but just praise or criticism.

Saving the Salesman's Time

It has been said that the average salesman wastes a lot of time; that is, the proportion of his working day that he spends face to face with his prospect is comparatively small. One sales manager asserts that his men average six calls a day of twenty minutes each, which means that they spend only two hours a day in actual selling work. One of the ever present problems of most sales managers is that of getting their men to make more calls and of getting from one call to another with the least possible waste of time. The answer to this problem consists in planning the movements of salesmen so that waste effort is reduced to a minimum. The following are some of the methods that have been successfully applied to conserve salesmen's time.

The Use of Junior Salesmen

When it is not practical to increase the time for personal interviews, it is possible to increase the effectiveness of the interview by paving the way for the salesman through the use of a junior staff. The object of the junior staff campaign is:

(1) To increase the opportunities for sales for the senior salesmen.

(2) To save the time and effort of senior salesmen by making the prospect interested in the product. In other words, to eliminate the need of missionary work by the senior salesmen.

(3) To create an interest in the product before the senior salesman makes his call.

(4) To make the total number of sales greater by increas-

ing the number of effective presentations the senior salesman can make in a certain time, and by increasing the percentage of sales to calls through the cooperation of the junior salesman.

Using a Mail Campaign

A manufacturer of face cream uses the mail to help his salesmen get his product into the hands of druggists. The product is new and the druggist is loath to stock it.

Prior to the entrance of a sales crew to the town, a series of direct advertising pieces is mailed at intervals to all of the druggists there. Then a final piece is mailed out announcing the salesman's coming, timed to reach the prospect a few hours before the salesman's call. The introductory work has been completed. The salesman and his product are known and his solicitation is soon finished.

Standardized Sales Talk

To eliminate the waste of precious selling talk by salesmen who are inclined to "beat around the bush," it has been found advisable by a certain concern to furnish the sales force with a standardized sales talk which has been prepared by master salesmen. This "canned talk," as it is sometimes called, has been the means of increasing the business by leaps and bounds, where it has been tried out for a few years.

The Use of a Demonstration Kit to Save Time

An electric company that has a large line of lighting devices of various different styles found the demonstrator kit of great value in saving time. When the kit is opened, the articles are all in order and in plain sight. The kit saves time, as it is arranged and lettered so that a person sitting 15 feet away can easily get an idea how each device is used, which does away with long explanations by the salesman.

The Use of Prospect Cards

The Dictaphone Sales Corporation practices economy in regard to the salesman's time by the use of prospect cards. In the morning or perhaps the night before the sales manager gives each salesman nine prospect cards—a card for each prospect on whom the salesman is to call during the day. Three of these cards give the names of customers; three, the names of prospects who have been canvassed but not sold; and three give the names of new prospects. The prospect cards are so selected that the

salesman will not waste time in getting from one place to another; he perhaps will concentrate in one corner of the territory.

The advantage of dividing the prospect cards into three groups is to give each salesman an equal chance and to enable him to give customers needed attention, to make repeated calls on non-customers, and to get in touch with new business.

While the salesmen of this concern average only six calls a day, it is advisable to give each nine cards so that a definite goal is set. If the goal were easily attainable, it would not be high enough. As the salesman is supposed to make nine calls during the day, he will keep hustling and will not waste the last two hours of the day. Of course, if he makes only six or seven calls, he will accumulate a number of extra cards and when this happens, he will not be given any more or at least only a few until he catches up.

Re-routing the Territory

Ideally the line of travel between two customers should be straight but, of course, it would not be possible in many cases to bring about this situation. We have to admit that in many instances if a line were drawn from customer to customer, it would resemble a corkscrew, which means that every turn costs the firm money in the unreasonable time spent in getting from customer to customer.

The Maroa Manufacturing Company finds it an unnecessary expense to subdivide territories by counties and to observe state lines. The value of scrutinizing railroads, hard roads, and other well traveled highways was found advisable. In some instances it was found feasible to abandon automobiles in favor of railroad travel and in other places it was found economical to give up all railroad travel and use automobiles entirely. In fact the route was traveled over carefully and the time spent in getting from customer to customer was checked up from an economical standpoint.

While the re-routing of the territory by this concern was important, the re-routing of the thinking of many of the salesmen was even more important. It had been found that many hindering ideas had a good foothold among the sales force which were responsible for the reduced number of prospects seen each day. "No use getting there right after breakfast. He is too busy with his mail," was commonly heard. One wide-awake salesman realized the importance of getting the advantage by calling early. He said: "I like to get at them early. If I can, I want

to reach them before they get into their mail. Often reading their mail sours them for the rest of the day. Maybe some firm has refused to comply with a special request. Or they may receive a big healthy invoice and be staggered by its amount and immediately close up their mental purse-strings as tight as a clam and decide then and there to 'cut out all this buying.' "

"Perhaps a dealer has been a little slow in meeting some bill, and the house gets after him strong about it, and his sensitive feelings have been hurt.

"Another thing: Getting there early gets me ahead of those daily irritations of the retail business. This is especially important if the buyer is also a salesman and proprietor.

"For instance, I am ahead of Mrs. Brown, who comes in and tells my prospect that she has decided to return that new refrigerator she had sent out on approval. Some other salesman will have to contend with the reaction of discouragement to that, but not myself. The buyer also gives me more time if I need it. It fattens my order book. Having the entire day before him, he doesn't hurry as he will later on in the day.

"I might also add, if you haven't thought about it, that it puts me ahead of the other fellow."

Considerable effort was made to show the entire sales force the value of the "early bird" idea. The total results of re-routing the salesmen in their traveling as well as in their thinking and habits proved that the efforts were well worth while.

Salesmen's Compensation

The problem of properly compensating salesmen for their services is one that must be carefully solved, as its solution vitally affects the success of the business. Since no one has been able to devise a sales compensation plan that will take care of all factors in sales work, and since conditions upon which compensation for salesmen in different lines must be based are so varied, the working out of a proper compensation system must largely be left to the needs of the business itself and the good judgment of executives who are charged with the conducting of the business on a profitable basis.

Before adopting any system of compensation, the sales manager should give due regard to the character of the salesmen that should be attracted to his organization by his system of compensation. The selling of some specialties calls for a high-grade type of salesman, who will expect more than the salesman of the plodding type who fulfills the requirements for the selling of a fairly well established staple commodity. To use figures, a firm

may pay $500 for $150 worth of sales ability, if this point is not considered.

Up-to-Date System

A system of compensation that may have been very good when the business was in its infancy, during progressive years may become so faulty through changing conditions of business and territory that it is actually unfair to the firm.

Few men will give their best service if they feel they are underpaid. The experienced efficient salesman is accustomed to a good wage and will demand it of a new employer. The new and young man will work for a while perhaps for the sake of the future, but to hold strong men, the employer must make it possible for them to earn a good income. Love of power, competition, loyalty, imitation, and other motives stir men to effort, but no incentive is greater than that of money compensation; no other can take its place.

There is no secret about the fact that the most successful sales organizations are those which make it possible for their salesmen to earn large incomes, and the conclusion cannot be avoided that the income-earning opportunity offered the employes accounts in a large measure for the success of these concerns. However, salesmen should not be over-compensated, as it is quite possible by over-paying a good man to dull his efforts.

C. K. Woodbridge, a well known sales manager, says: "Methods of compensation for salesmen require an appraisal of the job to be done. Find out what it's worth or what you are willing to spend to accomplish the job. Find out what the operations are and decide how much of the total sum you are willing to spend should be paid for each operation. Then take into consideration the individual, his cost to live, his expenses, his right to save and accumulate, and the need of stimulation through incentives. These factors should determine compensation."

Four Principal Forms of Compensation

The principal forms of compensation are today, as they have been for years, grouped under four heads: Straight salary, commission payable at various times, salary and commission or bonus, and profit-sharing.

Recently a questionnaire was sent out to ascertain which of these four methods of compensation were considered most satisfactory by sales managers of prominent concerns. One hundred and seven replies were received from sales managers whose lines included commercial printing, plumbers' supplies, wholesale gro-

ceries, dry goods and piece goods, women's apparel, misses' apparel, children's apparel, four distinct drug lines, toilet goods, jewelry, tobacco, cigars and cigarettes, advertising space, three lines in which service, only, without commodity was sold, millinery, silks, furniture specialties, shoes, calendars and a few others. The net result is interesting: 34 favored salary; 30 favored commission; 16 favored salary and commission; 7 favored salary and bonus; 20 favored drawing account against commission.

Straight Salary.—This plan is the oldest and perhaps most used. It certainly offers fewer disadvantages and causes less friction than any other method. It gives the sales manager greater control over his men, is simple and easy to install, and insures the salesman a certain amount of income regularly. Straight salary is especially advisable when salesmen are required to do missionary work; that is where their efforts will not result in immediate sales, but are intended to build good will for the future.

The principal disadvantage of the straight salary plan is that it does not develop the initiative of the salesman to a great extent, as it does not furnish a strong incentive to push sales.

Besides, the straight salary plan is not always easy to administer properly, in spite of the fact that it is apparently simple. A common policy is to allow the salaries of the men to automatically increase from $25 to $50 per month the first of each year. If this policy is continued, in time it will impose an unreasonable burden upon the firm. The salesmen, moreover, will expect the increase, and they are likely to become discouraged or indifferent if they do not receive it, and are made to feel that they have reached a limit after a while. It tends to destroy their initiative. Where the definite yearly increase is not understood, there is a dreaded time of determining what each man's salary should be for the coming year. The growing distaste for this time of regulation or readjustment of salary has led many firms to pay their salesmen on a commission plan.

Straight Commission.—The straight commission plan limits the salesman's earnings only by his own ability. There is an abundance of incentive for him to work—the more he sells, the more he earns. The company's responsibility is lessened and the commission plan is easy to finance. When business is dull, the salesman does not draw his salary just the same, as he does when straight salary is paid.

In the replies from the questionnaire referred to it was generally conceded that a salesman who knows the prospects and the field, has had successful experience, and is fully qualified to

sell the line under consideration, will have available funds to finance himself, and will prefer to do so. The house taking no risk, except expenses of advertising and other supports which are part of a general campaign, can afford to pay him more for sales, than they could on a salary basis. Moreover, a just man wants no money he does not earn, and yet a wise man wants "all there is in it."

The great disadvantage of the straight commission plan is that it is apt to encourage striving for a too great volume of sales, since sales determine the salesman's wage. Consequently overselling may result, and when the salesman's stay in a territory is likely to be short he is likely to overload his customers, leaving dissatisfaction, which makes it hard for his successor to produce in that territory. Then there is a tendency for the salesman to give too much attention to the large dealers and pick up business ready-to-hand rather than cultivate all the dealers and develop the territory evenly and efficiently.

Another drawback is that the house has little control over the movements of the salesman who works on commission only. If the salesman wants to lay off on Saturday or other days he feels it is no one's business but his own. And when considerable time should be given to demonstrations, or window displays and other "missionary work" the salesman is likely to slight it. And he may push hardest the items of his line that are easiest to sell, or least profitable to the house.

Salary and Commission.—Some concerns find salary and commission combined the best form of compensation for their business. A fixed salary is allowed and a commission on volume of sales is added. Under this plan the house assumes some financial risk, and the salesman feels that he can depend on a certain amount of income, and yet that he can earn according to his efforts. This appeals to the salesman who has a family dependent on him, as he is assured of a fixed income every week or month. Then, too, such an arrangement shows that the employer has faith in the possibilities of the salesman.

This would seem an admirable arrangement at first thought, but the fact is that the combination of salary and commission does not work out as satisfactorily as some other schemes. The disadvantages of the salary plan and the straight commission plan are likely to persist.

Salary and Bonus.—Under this plan, a basic salary is paid, and the bonus is selected as the addition to salary instead of a commission. Instead of salary and commission on the salesman's direct sales, a straight salary is paid and a bonus is added

on all business in the territory over and above a certain standard volume or on the increase over the sales of the preceding year. Or the bonus may be awarded for certain work done by the salesman in addition to promoting sales or increasing the volume of sales.

Profit-Sharing.—This plan gives the salesman a percentage of the profit remaining from his sales after deducting expenses over which he has no control. The advantages are that it does away to a great extent with fixing salaries and has many of the desirable effects of a straight commission while it eliminates many of the disadvantages of the commission plan. While the salesmen will without urging concentrate their effort on the most profitable lines, they are not so likely to cut their prices or overload the buyers as they would be on a straight commission basis. As the men are really in business for themselves they take more interest in promoting the progress of the firm.

The disadvantages are that the profit-sharing plan, like the commission plan, gives the firm less control over the men. They feel that they may work as they please to increase the business of the firm. Also, this method adds to the bookkeeping expense, as it is rather difficult to figure the cost of each item in a large line, especially when prices are constantly changing. When employes are given a share of the profits at the end of the year it is found by many concerns that the extra compensation is too far away the greater part of the time to be a proper stimulator. It is therefore better to have the extra compensation come more frequently, so as to be a constant incentive.

The Drawing Account Against Commission.—There are many variations of the commission plan, among which is the system of allowing salesmen drawing accounts against their commissions. The salesman temporarily in need of funds is allowed to "draw" on the firm for a certain amount, this to be deducted from his commission at the end of the month. The idea is to get the salesman to hustle and earn enough to repay what has been advanced. This method is not used so widely today as formerly, owing to the increased ability of salesmen today to finance themselves. Besides lessening control of the firm over the salesmen, as the straight commission plan does, it frequently happens that the drawing account means a distinct loss to the firm. If a salesman does not earn commissions equal to or in excess of what he has drawn in advance, and then resigns or is discharged, he leaves a debt to the firm, which is very objectionable to a conscientious salesman.

Other Compensation Plans

Less commonly used are the Sliding Commission Plan, the Group Commission Plan, the Task and Bonus System, and the Point System. Under the first of these the salesman is paid a commission which increases as his sales increase. It appeals to the ambitious salesman because he can make a large income by unusual effort.

The Group Commission Plan groups the items of the salesman's line into a number of divisions, according to the profit the items bring to the house and the difficulty of selling them. It is particularly good for selling lines which include a large variety of items at varying prices and degrees of profit for the house.

The Task and Bonus System is one of the most modern compensation plans. It is based on other selling work that the salesman does in addition to selling goods. The Remington Typewriter Company uses this system successfully, each salesman's "task" being the number of calls he makes, and he is paid for every call, even though no sale is made. The bonus is a commission on all sales, the rate varying with the profit on the sale. The system works well with salesmen who are required to do a certain amount of routine work. Its value for salesmen of the higher type has yet to be proved.

The Point System

Under this method the salesmen are rewarded according to a carefully worked out system, by which values are established in points for everything they do. A call made may mean so many points, an order so many, etc. Also points may be subtracted from his total for failure to do any part of his allotted task. This system is flexible and well adapted to all kinds of business. By using it proper methods can be used varying with changing conditions.

Some Important Principles of Compensation

We have considered the most important systems of compensation, but there are other principles to be closely associated with compensation in the minds of the salesmen. The following are most important:

1. Have it clearly understood that the house will deal justly and fairly with every salesman. Nothing so quickly destroys the morale of a sales force as the knowledge that certain favorites of the sales manager, or other men with "pull" are awarded special privileges and commissions they have not earned.

2. Show the salesmen how to grow. The good salesman looks beyond the present possibilities and will appreciate the chance to grow into a bigger position assisted by the right kind of training from the sales manager.

3. Have definite business policies as to prices, terms, shipments, etc., so that the salesman may never be in doubt as to what course to pursue, and will be sure that his efforts will not be misinterpreted by the house.

Cooperation is necessary above all, and salesmen must be treated well to make them do their best. The square deal should always be the important item in determining how to compensate salesmen.

THE SALES MANAGER'S RECORDS

THE efficient sales manager finds it essential to keep comprehensive records of the various branches of his business for two purposes:

1. To gauge the volume of business that should be done yearly,—to see how much of this is being secured, what goods sell best and why, and to indicate each salesman's efficiency.

2. In order to give the salesmen fullest cooperation and assistance.

Carefully compiled records are invaluable in this connection by giving permanence and instant availability to every detail of operation of the Sales Management Department.

The four divisions or factors of keeping modern sales records are:

1. Installation of a unit system for keeping track of orders.

2. Graphic forms of indicating weekly, monthly, or yearly sales showings for individual salesmen, departments, and territories.

3. A practical system of reports from salesmen and for salesmen, regarding results from individual prospects, towns, and districts.

4. A system of route sheets giving an accurate record of the actual and proposed itinerary of the salesmen.

The Unit System

In keeping records of orders it is important to eliminate as far as possible unnecessary bookkeeping. The unit system is a set of forms by which a number of duplicates of each item may be made at one time on the typewriter. Thus the sales department has at once all the necessary data on the following: Alphabetical sales record, salesmen's territorial or geographical record, chronological record of shipments, and numerical record of the transaction. Much depends, of course, on an efficient filing system, too.

Yearly and Monthly Sales Sheets

There is nothing that gives such an incentive or warns of dangerous conditions so effectively as a condensed detailed statement of sales statistics from as many angles as possible. The yearly and monthly sales sheet which shows not only the gross figures but also comparisons of the previous year's business and

percentage expense of sales, is absolutely necessary if the sales manager is to get at the real situation. Monthly and yearly sales showings for each salesman, and the records of all the men according to territory or department may be compared. It is a good idea to keep, in connection with this, in a loose leaf binder, a separate record of all correspondence with each salesman, and a sheet showing where sales were incorrectly figured and made under price, and memoranda of other such matters as need to be taken up with the salesman periodically. The third factor, a practical system of reports, is necessary in that it affords a clearer idea of the possibilities in the various territories than is usually obtained. A specially prepared chart or form should cover such details as: The number of states being worked as a territory, number of counties in the territory, number of towns of certain population, counties worked, counties missed, number of customers in territory, number of prospects, etc. With such records available, the salesman's effort and dealers' efficiency can be judged.

Route Sheets

The route list giving accurate record of the salesman's travels is a necessity in order that the home office may know just where the salesman will be on a given date, so that his mail can be forwarded and certain necessary matters brought to his attention, such as "hang-fire" accounts, adjustment matters, new prospects, details on inquiries. When the salesman, in addition to this, is required to give a report each day, whether sales are made or not, it insures thorough working of the territory, and gives an idea of the amount of business to be depended on from each section.

The Map and Tack System

Efficient sales managers find it highly desirable to visualize their fields of operation, and so generally have either a huge wall map, with pins of different colored heads showing salesmen's location each day, and other data, each color having its own significance, or have a cabinet of drawers each containing a map of a given territory, similarly "pinned," or they have both the wall map and the cabinet.

The following shows how the system is used to advantage by one of the largest manufacturing concerns in the country, employing 1,000 salesmen and 140 agencies.

A big wall map of the United States is hung in the sales manager's office, and tacked and placarded with small colored tickets to indicate a vast amount of information. The sales policy of this concern is operated on the point system and a certain

number of points, based upon an analysis of the territory to determine the probable absorption of the product over a given period, are alloted to each agency. The agency is expected to attain the alloted points, which, in reality, represent the volume of sales.

It happens that some agencies go far above the quota, others exceed the allotment in a moderate way, and some fall below the set standard. Three classifications are made to cover these conditions, and in order to show them on the big wall map tickets are hung on small hooks screwed into the map at the agency points. These tickets are made in three colors—blue, white, and salmon. The blue tickets indicate the agencies above 200 per cent.; the white show the agencies that have moderately exceeded their quota, and the salmon the agencies below the quota. These tickets are changed every month by the sales manager himself.

In addition to this graphic exposition of the results accomplished by the agencies, a series of different colored tacks is used. Large white celluloid tacks are used to designate the quotas. Striped tacks show the service stations. A blue tack indicates an agency point; a red, no agency; a yellow, sub-agency. The country is divided into five districts which are shown on the map by heavy black lines. There are 140 agencies which are bounded by red lines. Thus, a complete bird's-eye view of the field is secured. The map-track system in this house forms the basis for an extensive series of selling contests. In the official sales bulletin which is issued monthly, the map-tack system is frequently emphasized.

"When salesmen come into the office, we can take them before the big map and show them graphically what they are doing in relation to other salesmen," says an officer. "In this way it furnishes an incentive to renewed and vigorous effort. If an agent finds, for example, that he is marked up with a salmon ticket in the midst of a field of blue and white tickets, it requires no sermon from us. He sees at a glance that he is not delivering the goods and that he must speed up."

The Salesman's Reports Valuable

The value of having salesmen make out reports, especially details on lost orders, is that it causes him to analyze conditions and to see where his chief difficulties lie, and to remedy his weaknesses. With a thorough report on hand the sales manager can put his finger on the weak spots and bring pressure to bear where it is needed.

A Check System for Following Salesmen's Calls.—It is important that the sales executive know whether his salesmen

are overcalling or undercalling on dealers in certain territories. Often calling too infrequently becomes apparent only through the gains of a competitor. A good way to check up on the salesmen's calls is to use a coverage check system like that used by the Madame X Co., Inc., of New York. Its simplicity is what greatly recommends the system.

Each page has typed at the left side, alphabetically listed, all cities of 2,500 population and up in the territory. Then two columns are used to indicate the population of the city and the number of dealers. The remainder of the page is blank, and in this space the number of calls made on each dealer is listed, dated according to salesmen's reports sent in to Home Office.

Expense Accounts

Under this head may be classed all items of expense in the selling of goods that do not properly come under salary, bonus, commission or other costs of distribution where the firm pays the salesmen. There is no standard practice that is followed regarding just what may be properly charged to the salesmen's expense accounts, and the successful regulation of the salesmen's expenses in proportion to the needs of the business is one of the tests of a good sales manager.

Methods of Regulating Expense Accounts

As to regulating expense accounts, the sales manager may follow one of three methods:

1. To have a definite understanding as to what is allowable, and require detailed statements where it is possible to obtain them.

2. To average what the salesman's weekly or monthly expense should be and allow just that much in addition to compensation.

3. To set no limit, but leave the question of expense to a salesman's honor, requiring merely an itemized statement and criticizing when excessive amounts are charged. The last method is practical only for a small organization.

The Budget System

The system of budgeting salesmen's expenses is growing in favor with large concerns, because it offers something tangible to figure in the way of expense accounts instead of an ever varying amount which prevents accurate estimation of selling costs.

This system is by no means a new one, for some large firms have for years controlled salesmen's expenses by the budget sys-

tem, limiting expenses by a daily allowance for room and board, a certain sum for entertainment and incidentals, plus a weekly allowance for transportation. Generally there was a monthly allowance varied by the number of traveling days in the month, within which salesmen must confine their expense accounts.

This system has generally resulted in a great saving where it has been put into effect, but its value is not so much in the saving effected as in the increased knowledge of the salesmen's efficiency, which comes through close scrutiny of the expenses. Often an unreasonable expense item can be cut down and a salesman's value increased correspondingly. The budget system works well, because a definite amount can be estimated for the expense per week or month, even though items have increased with the rising cost of living.

Information was obtained recently regarding the budget system of a firm doing approximately $3,500,000 worth of business yearly. Fourteen salesmen were employed and for their expenses the budget allowed $56,700. This amount covered hotel accommodations, meals, transportation, and occasional luncheons or dinners with customers or prospects, for an average of 270 days a year on the road for each salesman, or $15 a day per man. In addition, a contingent expense fund of $10,000 was included in the budget, to be apportioned among the salesmen at the discretion of the sales manager. Of this amount, during the year in question, $3,400 was unexpended. The total of the expense account, $63,300, was less than 2 per cent. of the sales. It should be noted that these salesmen were fairly high grade, their salaries averaging $6,000 a year.

Where the yearly volume of business is smaller—amounting to perhaps $250,000 to $1,000,000 yearly, the sales manager's problem is easier. He probably does a good deal of direct selling himself, and is in intimate personal touch with expense conditions on the road, and there will probably be but three to ten salesmen required.

Tact Is Needed

In handling expense accounts the salesman must not be made to feel that his honesty is questioned, but, on the other hand, he must not be given too much leeway. It does not pay a sales manager to be too close with men who are away from home a great deal. Taxicabs, baggage transfer, telegrams, postage, and other incidentals have to be decided on in individual cases. Gross cheating on expenses ought to be grounds for the salesman's discharge, especially if persisted in after careful warning.

The budgeting of salesmen's expenses is practical because it

often brings to light many ways in which salesmen's expenses may be lessened and in a manner that is least distasteful to them. This is illustrated by the experience of one Pennsylvania manufacturer who employs approximately 80 salesmen, of whom 28 are senior salesmen, the others "juniors." The juniors are allowed for expenses a maximum of $30 a week plus transportation. The $30 allowance covers hotel rooms, meals, laundry, pressing, entertainment, and postage. The transportation item is left variable, for some of the men use autos, and territories vary more in the transportation cost than in any other particular.

Before budgeting was seriously considered by the sales executive, the average weekly expense of the fifty-two juniors for a period of six months was $28.67 exclusive of transportation. When the expenses of these men were analyzed it was found that the lowest man averaged $24.24 and the highest man $29.68 per week. The analysis showed that each man, having the thirty-dollar limit in mind, was not careful about restricting expenses until they approached the limit. Consequently at a convention the establishment of a definite bonus system was announced, after a two-day conference in which the salesmen were the speakers. The man whose average was lowest on each item of expense was encouraged to describe in detail how he kept his expense so low in that one particular.

The suggestions brought out during the conference were very interesting. One man kept his expense for pressing down by carrying with him a device that cost less than one dollar; another used an ordinary trouser-hanger and by folding his trousers in a certain manner while on sleepers saved a dollar a month. By a combination of the two methods, a new lower and fairer budget amount for this item was reached. This might seem a minor saving, but with fifty men traveling over 40 weeks a year the saving paid for the sample cases of the entire junior force.

The low man on rooms was always careful to have his route made out a month in advance on his first trip through a territory. He learned which hotels were most reasonable and gave good service. He then made reservations by mail, stating the price he wished to pay. Thus he nearly always had good accommodations at a low charge. His average was 25 cents a day less than the average of all the men. In like manner, other salesmen's savings on expense were explained and recorded, with the result that traveling expenses were reduced materially.

Sometimes the star salesman is the one whose expenses are most out of proportion to the business he gets. One manager found that his star man was entertaining far too heavily. By

suggesting that he cut down the "treats" to either a dinner or an invitation to the theatre, and thus give more time for informal discussion with customers, and also save expense, the sales manager was able to get his star to cut down expenses more than $3 per day.

A Syracuse manager found that during the war years the expenses of his sales force greatly increased and that they did not lessen during post-war years. So he asked each man to analyze his expenses and make out a budget based on daily average for each important item of expense. Then he called the men together and told them that he was going to abide by their decisions and accept as a budget figure in each division of the expense budget a fair average of their estimates for that division. He estimated that this would save over $8,000 a year, and in reality it has saved over $10,000 yearly, because the men have lived well within the budget.

Division of Territory

The modern sales manager finds that it is not sufficient to leave a salesman to produce business solely on the basis of his ability to make friends and to sell. Careful experimenting has shown that when a certain volume of business is aimed at, it is necessary to analyze the territory very carefully and to know just what may reasonably be expected from each section, all conditions peculiar to that section being considered.

There are several purposes aimed at in allotting territory systematically:

1. By scientifically routing the territory it is covered in a systematic way. There is avoidance of waste through salesmen covering the same territory and the greatest possible volume of business is produced as a return for the selling expense.

2. Putting the opportunities and compensation of the salesmen on an equal basis as far as possible enables the firm to get and hold salesmen that are producers. There is a great advantage in having a good salesman feel sure of his territory.

3. Results from territories may be checked up accurately and they can be compared with each other, making it possible to distribute the sales effort more evenly.

4. When territory is worked intensively, competition is combatted most effectively.

Factors to Consider in Assigning Territory

The problem of assigning territory, especially if it involves reducing the territory covered by some salesmen, is a delicate one.

The sales manager must avoid hurting the feelings of the men and possibly losing a good producer to the house. There should be every precaution taken against unfairness to the men. Then, too, a territory too large will encourage a tendency to "skim the cream" of the business, while too restricted a territory will cramp the salesman's efforts and discourage him. There are several guiding factors that may be safely considered in dividing territory.

Territory used to be assigned to salesmen according to states, but firms were soon compelled to recognize the fact that states differed greatly in volume of business produced, and railroad lines did not correspond with political divisions outlined on the map. Consequently the county has been adopted as more flexible unit. That is, if one part of a salesman's territory is not being made to produce as the sales manager thinks it should, the county including this section can be re-assigned to another man.

The county is a more productive unit, for where sales are estimated according to counties the trading area outside of cities and larger towns is given proper recognition, where otherwise the tendency is to consider the thickly populated districts and underrate or exclude the sales possibilities of the adjacent trading area.

Every sales manager must know how many possible customers there are in his territory. With the many sources for securing such information that are today available, there can be no excuse for the salesman not having complete tabulated data. In the compilation of this information he can and should be materially assisted by the Advertising Manager, whose own investigations supplemented by the vast amount of constantly checked data in the hands of publishers of advertising media, Boards of Trade, trade organizations, etc., should be available for study, as well as specific data with regard to the individual needs of the sales manager's organization and product.

For instance, late figures credit Greater New York and its tributary suburbs with one-tenth the population of the United States, or nearly 12,000,000 souls. It is entirely possible to determine within a small percentage the race groups, religious sects, political preferences, sex, ages, occupations, approximate incomes, classifications as to mode of living and all other salient details with regard to these 12,000,000 people.

Naturally, after first considering the number of prospects in a given territory, it is essential to estimate how often each prospect should be canvassed. If competition is keen, or the line requires that salesmen's visits be frequent, a smaller territory is needed than where the salesman needs to call only two

or three times a year. Proper cooperation of the correspondence department in maintaining contact with customers will often make it possible for the salesman to cover more territory, since less frequent calls will be necessary.

How Many Calls Can He Make?

The number of calls that the salesman can make daily or weekly is often hard to ascertain, but when decided on, makes it easier to fix his territory limits. Very often the salesman is found to be making too few calls. The Addressograph Company some time ago issued an edict that each salesman must make a minimum of five calls daily. This was more than the men had been making and sales increased forthwith. Of course, the actual amount of time spent in talking to prospects and customers is what determines the salesman's volume of business. So it is to the advantage of the firm and the salesmen to so assign territory as to lessen the long jumps between towns and give the salesman more time for making calls.

Too Large Territory

The tendency generally is to have territories too large. Recent investigations have proved that business is increased by reducing rather than enlarging territories. The reason for this is that where a salesman's territory is restricted, he must analyze its possibilities more carefully and use more persistent and intensive efforts to land prospects. He won't be so apt to pass up small towns where accommodations are poor but business is fair, and pass by the dealer who handles a different line but who might become a new distributor for the salesman's commodity.

It is often practical to arrange a man's territory so that he can get home as often as possible. One of the hardships of the salesman's occupation is the fact that he is compelled to spend so much of his time away from home. Consequently it tends to increase the salesman's efficiency, especially where he is married and has a family, if he can get home frequently to his wife and children.

Methods in Re-assigning Territory

When readjustments are necessary, the sales manager must exercise discretion to avoid offending the salesmen whose territories are cut down. A guarantee may be offered that their income will not be cut down, or increases in salary may be allowed when the reduction takes place.

Some firms use a junior salesman to assist the regular rep-

resentative, allowing the regular man a percentage on sales made by the junior salesman. Other concerns find that some salesmen are weak on selling to small-town dealers, and assign a man to cover the prospects that the regular man cannot handle well.

The Special Salesmen

Where the sales manager has carefully kept track of his territories and each man's activities he will know where it is best to send a special salesman at intervals to increase sales in the weak spots. This is a good idea, as the sales manager himself or one of his assistants may act in this capacity without additional expense to the firm. The customer is flattered by having a special man call on him, and the regular man will put forth his best efforts to keep up his record to avoid having the special man put on to help him out.

Use of Automobiles

The rapidly increasing cost of railroad transportation in recent years, especially since the World War, has made it necessary to consider the automobile as an important factor for covering salesman's territories.

There are several decided advantages in using autos, among which are the following:

1. It enables salesmen to work towns that could not be reached by train or trolley.

2. It enables the salesman to carry quite a stock of samples with him, and even to perform small services for retailers, like calling for articles of freight to be delivered to the dealer, or delivering a package to a customer who is on the salesman's route.

The auto enables the salesman to cover properly suburbs of large cities and eliminates time spent in waiting for trains where one dealer only in a town may be sold.

The sales manager must use discretion in advising the use of autos, however, for there are factors that may be unfavorable. The operating cost of automobiles is undoubtedly large and they afford additional chance for padding the expense account. Then there is insurance to be carried, and the salesman's risk of breakdowns to offset the advantages of covering territory quickly and thoroughly. Where great distances are to be traveled between prospects the railroad is cheaper. Also where samples are very bulky, autos are impractical.

RELATION OF ADVERTISING TO THE SALES DEPARTMENT

AS THE purpose of advertising is to make it possible for the salesmen to sell more goods, it is imperative that the advertising and sales department cooperate. One of the most important duties of the sales manager, therefore, is to educate his salesmen in regard to the benefits to be derived from advertising. They should be shown that advertising is helpful in many ways. It decreases selling resistance all along the line by stimulating consumer demand. Evidence of the consumer demand influences jobbers and retailers to handle the advertised goods. In other words, advertising reduces the time it takes the retailer to make sales, which in turn reduces his cost of selling. The manufacturer can quickly make the sale to the wholesaler; the wholesaler can quickly sell to the retailer; and the retailer can easily make the sale to the consumer. In short, it makes the wheels of distribution run smoothly and rapidly, and removes the obstacle that otherwise would confront the salesmen.

How to Sell Advertising to the Salesmen

At sales conventions it should be possible to arouse interest and enthusiasm in the firm's advertising.

1. Talks could be given by the sales manager or a representative of the advertising agency.
2. Hired speakers could give inspirational talks on the benefits to be derived from advertising.
3. Discussions that are open to all could be had which no doubt would help to instill enthusiasm.
4. Posters could be hung on the wall and details given regarding them, and each piece of copy sold to the salesmen.
5. Proofs of advertisements to appear could be furnished with the names of mediums in which they appear and the dates.

The fact should be stressed that advertising helps to increase the salesman's earning power. And the salesmen should not be allowed to forget that in the last analysis the dealers buy not goods but a chance for profitable sales; so they will welcome cooperation in sales and advertising work that helps to move goods more rapidly. The salesman should be able to analyze the retailer's needs as to advertising and selling plans, and help him solve his problems by suggesting effective methods.

By giving the salesmen at these conventions an organized and systematized explanation of the advertising done by the firm cooperation will be obtained, and the salesmen will feel under obligation to follow the instructions of the house in regard to its advertising. They will talk advertising as a lever to gain new accounts and on the whole will become advertising enthusiasts.

At these conventions it would be advisable for the advertising manager to tell the salesmen just how he is planning to help them sell more goods. He could encourage the salesmen to offer suggestions. Some of them may be able to give ideas for improvement, as salesmen are in actual contact with sales conditions and know well the tricks of the trade. The advertising manager can benefit from these ideas in general, but he should bear in mind that the sales manager and salesmen deal with the individual man—not with the mass mind or typical man to which the advertising man appeals, so their view of writing copy is not usually of the kind that will make the strongest appeal. Thus the salesmen's opinions should not be considered too seriously, though the wise advertising manager tactfully solicits their ideas and lays aside those comments that are not applicable or fitting from the copy writer's point of view.

Cooperate Through Sales Manual

In the sales manual should be set forth clearly the policy of the house with respect to advertising and its relation to the trade, so that the salesmen will understand what and why the firm is advertising. Then he can impart the ideas to the retailer, boosting the advertising that is being carried on and getting him to appreciate the value to him of the advertising that the house is doing. The efforts of the house to make sales should be emphasized in the sales manual and the salesman's enthusiasm on the subject of advertising thoroughly aroused. By doing this through the medium of the manual, the salesmen are likely to be boosters for the manufacturer's advertising, which will result in increased profit, through the greater interest aroused on the part of the dealer.

Cooperate By Answering Inquiries

The inquiries sent in by the readers of the firm's advertising should be handled carefully as this is an excellent way to cooperate with the advertising manager. Some salesmen are inclined to treat these leads lightly as they think that most of these prospects are curiosity seekers. Here is where the advertising depart-

ment can cooperate with the sales force by wording the ads so as to attract mainly the really interested prospects. Then with proper attention a good percentage of the inquiries can be turned into sales. It is important to make a report of all calls made, whether or not successful in closing sales, so that further advertising literature can be supplied where needed.

Many times the object of getting inquiries from consumers is not so much to stimulate consumer trade as it is to convince the dealer there is a demand for the goods in his territory. Consumers' names obtained from requests for the goods direct are then used by the manufacturer to prove to retailers who are reluctant to carry the goods in stock that a demand for the goods already exists in their territory. It is necessary, of course, to check up closely the effect of such advertising.

Selling the House's Advertising to Dealers

Another way in which cooperation may be secured is by selling the advertising service to dealers, that is, showing them its value as a stimulator for sales. In the first place the traveling salesman must be convinced that well advertised goods yield a more satisfactory profit than the unknown brands, and then he must convince the dealer of this fact.

Formerly much emphasis was placed on the value of making an analysis of the mechanical details of an article for the dealer's benefit, but the more modern idea is to emphasize the advertising assistance furnished by the manufacturer. Some salesmen representing well known concerns are instructed not to talk much about the goods, unless requested, but to talk principally about the advertising cooperation which the firm furnishes. In fact, some concerns employ salesmen not for their knowledge of the goods, but for their knowledge of the value of cooperative advertising.

Advertising Reduces Selling Expense and Sales Force Turnover

Since advertising establishes prestige and good will for the product or, in other words, since it paves the way for the salesman by getting people to think about the product and putting them in a receptive mood, it greatly reduces the introductory work of the salesman and makes his entire canvass more easy and profitable. This has the effect of lessening the sales force turnover, for it is a well known fact that a large percentage of the changes in a sales force is due to the salesman's inability to interest and close prospects.

The sales force turnover is a very important item as it rep-

resents a great expense. One well known concern figures on a loss of $500 when a man is hired, trained, and then works only a few months. This concern also states that a difference of 25 per cent. in the sales force turnover of an organization of only 100 men would make enough difference to justify the discharge of a $5,000 sales manager and the hiring of a $17,500 man. As another illustration: in an organization employing 1,000 salesmen, with an annual sales force turnover of 75 per cent. (which is not unusual), a company could well afford to pay $125,000 a year additional salary to a sales manager who could reduce this turnover one-third—taking $500, as previously stated, as the cost of hiring and training each new salesman.

Evidently, then, the point to be emphasized is to lessen the labor turnover by cooperating with the advertising department and by selling the advantages of advertising service to the salesmen, and thus securing their whole-hearted cooperation. It is the specific advertising that precedes the salesman's call that helps most, as proved by a check-up on the calls made by the salesmen for a certain organization. This check-up by the sales manager showed that 60 per cent. of the total sales were made to prospects who had sent in inquiries, while these prospects represented only 25 per cent. of all the calls made by the salesmen. In other words, one-fourth of the calls made three-fifths of the sales, which shows that the men who received advertising literature were interested and ready for the salesmen.

Competition

Where competition is keen in any line a sales manager faces problems that will thoroughly test his ability and gameness. It is the duty of the sales manager to perfect means of knowing in detail the competition he must meet and to find a way to either utilize or combat it successfully, with the cooperation of the salesmen, the manufacturing man or buyer of his home organization, the advertising man, and the financial man. A salesman in the field, either local or distant in territory, has no right to take any important steps with regard to competition except on consultation with his sales manager.

The Proper Attitude Toward Competition

There is considerable difference in the advice given to salesmen as to the proper attitude toward competition. There are sales managers who declare—whether they really mean their language to be taken literally or not is open to question—that the salseman should know absolutely nothing about competing goods,

that he should try to forget anything of this kind that he does know. Others go to the opposite extreme and make frequent and strong attacks on competition. The proper course of procedure lies between the two extremes.

It is important for the new salesman to understand that it is to his interest to keep away from the subject of competing goods as far as possible. It is treacherous ground. There is constant danger of bickering and great likelihood of arousing distrust, prejudice, and uncertainty unless the argument is handled skilfully. Experienced salesmen, knowing this, will meet competing points when obliged to do so, but work away from the comparison and get back entirely to their own goods as soon as they can tactfully do so; but they studiously avoid making the impression that they are dodging competitive argument. Therefore, one good working principle with respect to competing goods is as follows:

Be well informed as to the points of superiority of your goods over competing goods, but do not introduce the subject of competing goods or make comparisons unless forced to do so.

When comparisons must be made, it is important that they be fair. Prospects will usually resent or be prejudiced by a bitter or unfair attack on competing goods because no one is at hand to represent them. Therefore, when the salesman is studying his own goods in comparison with others, he should aim to discover points of superiority that overbalance any real or fancied advantage that competing goods may have on any point. Suppose, for example, that competing goods sell for a lower price. If the customer knows this, it would be useless for the salesman to try to cover up the fact or to dodge the argument. It may even be advisable for him to concede that the low-priced goods are probably worth what they cost, but if he expects to concede this, he must be prepared to show that the purchase of his own goods would be much more judicious. Rarely is anything lost by treating competition fairly. In fact, the increased confidence that the prospect has when he sees that the salesman is frank and honest is usually worth more than the point conceded to the competition.

But, of course, the salesman should not make a comparative study of his own goods and competing goods with the view of voluntarily giving prospects information about competition, for the giving of such information might be like putting weapons into the hands of an opponent for the sake of seeing if he could be later disarmed; information about competing goods should be acquired for defense only.

In certain classes of goods it is essential that the salesman be so familiar with the character of imitations that he can readily detect them. Ofter a customer will show a piece of goods that seem similar to that which the salesman offers, but quoted at a lower price. Expert knowledge may enable the salesman to show that the article presented is made up partly of inferior material, which fact may or, may not, be known by the customer. The man who knows will tactfully call attention to these defects, and then he has a logical argument for his higher price. The salesman who meets such a condition, but who is not familiar with the tricks resorted to by competitors to cheapen price, becomes confused and discouraged. This condition is by no means uncommon in commercial life. A little cotton in a so-called all-wool fabric, certain parts made of cast iron instead of steel, portions of arrowroot instead of chocolate, enable a manufacturer to offer his wares at a lower price, and customers may be ignorant of the cheapening material until it is pointed out by the salesman who has thorough knowledge of his goods as well as the composition of competitive goods.

Resourcefulness in Overcoming Competition

Meeting competition does not necessarily mean making a direct attack upon a competitor. Just as the shrewd general defeats the enemy by a flank attack, so the resourceful sales manager will often find it advisable to safeguard himself against competition by working out a sales policy that is distinctive and that offers definite attractions to customers. For example, dealers might be offered more liberal credit terms or special helps in the way of window displays, store demonstrations, etc.

As a forceful example of resourcefulness in meeting competition the following is interesting:

Automobile competition has practically eliminated the use of horses in many lines of business, especially in cities, as is well known. An old horseman who had made a bare living for some thirty years by running two livery stables and one boarding stable, saw a great chance to offset somewhat the automobile competition. He did some investigating and found there were still 11,400,000 horses in the United States and that at least 7,000,000 of them had a mighty hard time of it getting proper foot-hold on our smooth roads that are surfaced for automobiles and kept smooth by constant friction of rubber tires.

A shoe that would prevent slipping, strain, falls, broken bones, increase speed in bad weather, and enable a horse to draw a heavier load and negotiate otherwise dangerous or impossible

roads, was his idea. In solving the problem, this man made a lot of money. He was his own sales manager but by doing his own thinking along the right lines, he achieved a great success.

Competition from the standpoint of the consumer, is a means of protection from unworthy service, imperfect merchandise, unjustifiable prices, and other disagreeable and costly things. The best merchants and manufacturers, and all careful students of business, will agree that competition is a good thing and essential. However, the fact remains that competition must be met and the sales manager who takes the best methods of dealing with competition has the best chances for success. "What can't be cured, must be endured." Competition that can't be killed must be successfully lived with, or actually cooperated with. Sometimes it pays to buy out a competitor or to divide territory with him.

Excessive Aggression

Although it is necessary to face competition boldly, adherence to a certain desirable principle sometimes may go too far. The following is an instance where the methods of competition used were decidedly wrong:

One of the largest department stores in the country, at a time when silk was a very popular fabric, advertised that a sale of especially desirable silks in large quantities, full color assortment, would take place the following morning. But news of the silk deal which was the foundation of the big event had leaked to the next-door competitor. It was too late for the first store to do anything about it. The next-door store had its windows full of special purchases, the prices being displayed on big cards.

The first store had announced its price at $1.98 a yard, the other store at $1.75 a yard. Then the first store cut to $1.49 and the second store retaliated by quoting $1.25. The cutting went on until the first store offered six yards for $2.50. As a result police were required to handle the mob of shoppers, much damage was done to interior fittings, and ambulance surgeons were needed to treat injured customers and employes. Both concerns lost thousands of dollars not only in profits but in damage claims, repair bills, and loss of business in other sections of the store. Besides, great ill feeling was aroused and the business was subjected to such ridicule as no dignified house can stand without serious loss of prestige.

To show how the problem of competition may be solved in a more successful way, the following instance is worth citing: Two very large commercial printing houses of about equal manufactur-

ing and financial facilities, both with good sales management and sales forces, and of unblemished reputation covering many years, were dividing between them a very large volume of transportation printing. In that term is included tickets, folders, brochures, maps, administration forms, and advertising matter of many kinds. Each had some special machinery. Each found it necessary to add to this equipment from time to time. There came a time when each had to cut profits to get business from the other. Purchasing agents of fifty companies had been comparing rates. Salesmen began to lose ground that they thought they owned. Finally one agreed to stop bidding on certain lines, the other agreed correspondingly to stop bidding on other lines; there was some transfer of equipment. Thus, the problem was by way of being solved. Shrewd sales management handled this situation successfully. The steps leading to cooperation were master strokes.

THE ETHICS OF SALESMANSHIP

THE ethics of salesmanship, as laid down by each Sales Manager for his salesmen, broadly speaking, should be builded upon the same foundation whatever the line of merchandise or service. There will, of course, be special minor points or phases of ethics in connection with practically every line, and every Sales Manager's field and group of workers. It is quite a fine thing, and profitable, to clearly outline the ethical points of business solicitation, and draw lines that may not be crossed.

For instance, one of the big industries of the United States is commercial printing. In New York City are a number of the largest and best equipped printing plants in the country. Many salesmen are employed both to solicit and handle local work, and to travel in search of contracts in a wide field. Many of these men, under the guidance and with the full cooperation of the sales managers of some of the foremost houses, have an organization called the Associated Printing Salesmen of New York and Vicinity. They have a code of ethics which is studied by each man, mastered, and made a part of his business equipment. This code is here summarized because it gives a good idea of just how a code may be similarly fitted to any industry, applying to its salesmen in the field; and further, because any sales manager, no matter how highly specialized his line, will be able to grasp readily what this code means, and apply the big ideas to his own business.

Code of Ethics

We recognize the fact that in the pursuit of our calling no individual can act regardless of his fellow members and competitors, and that the spirit of competition has been so deeply imbedded in the human breast and so keenly sharpened by the methods of everyday life as to cause it to enter into and influence every transaction. At the same time we believe there are methods of competition which are clean, honorable and legitimate, whereby we can compete without wronging others and without demoralizing the business in which we are engaged. The Associated Printing Salesmen, therefore, adopt the following rules and recommend them to the printing salesmen of the country:

Our Duty to Ourselves

(1) We should take advantage of no man's ignorance, and see that we are truthful and straightforward and do not make misrepresentations to our customers. It is absolutely essential that we prove ourselves as honorable in every particular as we would have our customers and competitors.

(2) Every salesman should mix freely with intelligent and honorable members of the craft, study their ways and methods, and endeavor to get a reputation in the community as an intelligent, honest, and capable salesman whom people can trust with their work without competitive bidding.

(3) The expense of doing business, such as the wear and tear of material, interest on money invested, bad debts, rents, taxes, insurance, bookkeeping, and all other items of expense, should be ever before our eyes, and we should never forget that these must be as surely levied on each particular job as its labor cost.

(4) On no account consent to pay commissions to purchasing agents, secretaries, or others who have work to give out. It is demoralizing to both the giver and the taker. The commission is very likely to be added to the bill, and the customer pays more than he should.

Our Duty to Each Other

(5) When a young salesman enters the ranks, welcome him as a new soldier to the field, and help him to any information and assistance which will enable him to overcome his difficulties.

(6) It should be a duty and a pleasure to impart to our less experienced competitors the knowledge we possess, so long as we are satisfied that the information generously given will be honorably used.

(7) When estimates are asked for by any person on work done by another house, with plain intent to find cause for an alleged unfairness of the price charged, they should be invariably declined. It is not safe to criticize any price until one is in possession of all the facts. Many unknown conditions may have controlled the price.

(8) Always have the courage to ask fair renumeration for any work offered.

(9) Estimates calling for detailed specifications of separate value of the paper, composition, electrotyping, presswork, ruling, binding, etc., should always be refused. These details the customer has no right to. They are the printer's property, and to be

swift in giving them away is one of the surest methods of provoking unfair competition.

(10) The man who asks for a bid upon work, and before receiving it shows the figures of another bidder, should be avoided; it can be depended upon, if he will show you another's bid he will show yours to a third party. He wants you to do the job, if you will do it for less than any one else.

PAUL H. NYSTROM
PH.M., PH.D.

PROFESSOR of Marketing at Columbia University; Business and Marketing Consultant; Authority on Economics; Special Investigator for the Wisconsin Tax Commission; Director of Trade Research, United States Rubber Company; Director, Retail Research Association and Associated Merchandising Corporation; Author of books on Economic Principles.

CREDITS AND COLLECTIONS

REVOLVING CREDIT PLAN

Many merchants throughout the country have shown interest in the "revolving credit" plan featured by John Wanamaker, New York. Designed to take care of consumers' natural peak-purchasing periods by enabling them to open an account for the total amount of the purchase without carrying charge, an official of the store said customer response had "exceeded expectations." The "revolving" feature of the credit plan arises through the fact that, as the monthly payments are made, additional credit to the amount of the payment is open to the customer.

Income derived by the average department store from the carrying charges of one-half of 1 percent a month on installment purchases provides less than half the cost of handling the deferred-payment business, according to a study made under the auspices of the credit management division of the National Retail Dry Goods Association. This conclusion, made in one of the first comprehensive surveys of the installment carrying costs, was held likely "to prove almost as startling to retailers as to the public."

The average store reporting in the survey, it was found, incurred in 1937 an average deferred-payment expense of $27,897 and had an average income from carrying charges of only $13,611 on an average installment volume of $784,713. All the stores contributing figures on carrying-charge income and deferred-payment expense maintained the practically standard rate of one-half of 1 percent a month on the original unpaid balance.

"In the face of the apparent trend in the department store field toward lowering of the carrying charge, the revelation that the average store, as indicated by the study, is operating its deferred-payment department at considerable loss should give retailers pause before taking any action toward further lowering of the carrying charge," the report declared. Not only does the loss in handling deferred-payment volume serve as an argument against lowering the carrying charge, but the survey indicated that "there has never been any perceptible consumer demand for a reduction in the rate."

The report estimated that the cost of handling installment business was approximately 7 percent of total sales of that type in the average store. It was pointed out, however, that exact data for determining this figure are unavailable because of a lack of adequate deferred-payment cost accounting methods, which would include cost factors beyond those of direct credit office expense. It was computed that in 1937 the direct cost of running

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the department store deferred-payment credit operation averaged 5.6 percent of total sales in that field of merchandising.

Of this figure, interest at 5 percent represented 2.5 percent of the total direct cost figure; payroll, 1.5 percent; credit reports, 0.25; professional services, attorney fees, etc., 0.8; postage, 0.27; bad debts, 0.71; supplies, 0.17, and unclassified, 0.12 percent. The total of these, 5.6 percent to total sales, is not, however, the complete cost figure for handling deferred-payment volume, since it does not include such outside elements as administrative expense, advertising, rent, light, heat, and taxes, for which there is no accurate base for computation at present.

Similar analyses of the cost of handling items commonly sold in department stores have been made by finance companies. From these it has been estimated that factors beyond those included in the direct credit-department expense figure mentioned above, 5.6 percent, would bring the total to approximately 7 percent of total deferred-payment sales.

"In view of this estimated 7 percent deferred payment costs, retailers will probably find it unwise to decrease further the widely prevailing one-half of 1 percent carrying charge until such time as we have specific data showing us that we can operate profitably on a reduced rate basis," declared the report, which pointed out that the charge of one-half of 1 percent is "the lowest in the consumer credit field," adding that "during the NRA days, consumer groups testified in Washington before the Code Authority that the department store rates (that is, 6 percent per annum on the original unpaid balance) are the lowest in the consumer credit field and that even credit unions which pay no taxes—State, Federal or municipal—do not match the department store rates.

"Credit union rates as a rule range between 1 and 1½ percent a month on actual balances. The consumer is aware of the fact that when she buys on the installment plan she gets, to all intents and purposes, two distinct types of service from the store where an installment purchase is made. First, she gets a merchandising service, and secondly, a financial service in much the same way as if she went to a bank to make a loan to pay for the debt to be incurred.

"She is willing, however, to pay the rate for the additional financial service and considers it fair because she is aware that through installment selling she has actually secured a saving in the prices of numerous articles which have been reduced consistently because the sales of these items have been widely extended because of the installment selling device."

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COLLECTION LETTERS

Debt is a subject that must be handled delicately. Collection letters are unquestionably hard to write. And yet so many of the back accounts must be collected by mail. The correspondent, therefore, who has charge of dilatory and delinquent accounts, is an important member of the personnel. No one needs more tact or judgment. Each letter must be suited to the case. He who collects money by mail, especially on overdue accounts, must be a keen student of human nature. In addition he needs a good knowledge of accounting, banking, business law, and customs. But successful collecting by mail is an art rather than a science and one may acquire much of the necessary skill and tact by studying letters that have been used to advantage by others.

The form or spirit of a letter often has much to do with determining the reaction of the recipient toward the payment of the overdue account. Consider the form of the two following letters; both of which have about the same content:

DEAR SIR:

I shall be around on the 30th, and shall expect you to pay up in full on that date, as promised.

Yours truly,

The following shows a much better spirit:

DEAR MR. BROWN:

As you know, we are glad to favor you by extending time of the settlement of your account until the 15th. This is just a little reminder that I shall be around on the 15th to receive the money you are going to have ready that day. I trust that things have been going well since I was last in the store.

Yours truly,

The following three letters form a series. They have been used successfully because of their brevity, courtesy and firmness:

GENTLEMEN:

There now appears $125 past due in your account. Will you please send us your check at this time to cover?

Yours truly,

Ten days later, the second letter was sent:

GENTLEMEN:

Your account amounting to $125 is considerably overdue. You have always had a standing of A1 in our credit list and we dislike very

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much to change the rating. Please give this account your immediate attention.

Yours truly,

Ten days after the second letter, this third letter went out:

GENTLEMEN:

A statement is again sent you of your account for $125 which still remains unpaid.

When you opened an account with us, we informed you of the monthly terms of credit and to those terms you readily agreed.

We request that you send us this amount by return mail, or the reason why you can not; otherwise we shall have to take steps to protect our interests.

Yours truly,

The tone of the following letter is its strong point. In certain cases it would get results by its appeal to the debtor's pride:

DEAR MR.

You have read collection letters in which a stiff and formal demand for money is made, with the hint that perhaps you may have forgotten all about the obligation. We are not writing that sort of letter. You know that you owe us and we know that you know it. Frankly, we think that the reason you have not yet paid us is because you are short of money. Probably there are others besides ourselves pressing for settlement.

Sometimes the one that presses hardest is the one that gets paid first, but we do not want to take that attitude. Instead we appeal to your sense of fair play. Suppose you were at this end of the line and trying to get money from us. You would surely expect us to be frank and open with you, and we feel sure that you would coöperate with us to any reasonable extent in getting a settlement.

We want to do exactly that. Tell us just when you can meet this obligation. If you cannot send us a check right now, let us know for certain when we may expect it.

With continued good wishes,

Yours, etc.

Many regard the prevention of overdue accounts as the best collection plan. This is the plan adopted by the writer of the following letter which is written more in the informative than the critical vein:

GENTLEMEN:

We thank you kindly for the order given our traveling representative on the 6th, but to facilitate delivery in accordance with your specifi-

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cations, we would like to suggest that you anticipate our invoices of August 10th and 12th.

We appreciate that neither of the charges mentioned are yet due, but as your account at present exceeds the margin assigned by some $300, we feel sure you will have no objection to coöperating with us on the basis proposed.

You undoubtedly realize that the line we assigned you is a liberal one in the face of your investment, as shown by the financial statement you so kindly submitted several months ago.

No doubt a similar credit policy is employed in your business, so we sincerely trust you will give this suggestion favorable consideration, and we await an early expression from you in the matter.

Again thanking you for your patronage, we are

Yours very truly,

MAGINNIS COTTON MILLS,
Credit Department.

Not infrequently the customer pays his bill so that there is no overdue account but because of some dissatisfaction no longer makes purchases. The following dramatized letter presupposes some such situation, and actually has been used successfully by a fish company:

DEAR CUSTOMER:

Was my judgment right?

The other day I noticed my clerks getting ready to throw away cards of our customers who hadn't bought of us for some time—yours among them. I called a halt. "Wait," said I, "many of those people would be glad to buy some more Davis fish—give them a chance. Perhaps there's some real reason why they haven't been buying recently—perhaps we've fallen down somewhere in our efforts to please them. If so, we ought to know it—we want to make good."

So Mr. Davis was willing to back my judgment to the extent that he has let me write this letter. I hope you'll tell me, therefore, if in the slightest degree we've displeased you, either with our goods or our service. I'll make the matter right if you'll let me. But if you want real proof—evidence of our desire to serve you to your complete satisfaction—just send me an order on the blank enclosed. And if ever an order received careful attention at our hands—this one of yours will. I'm going to look out for it personally so be sure to use the envelope enclosed.

Sincerely yours,

JOHN A. SMITH,
Sales Manager.

P. S.—One of the first things I'll do when your order comes in will be to tell them NOT to destroy YOUR card.

J. A. S.

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The finest letter will not always collect money. In fact, certain personalities are untouched by the regular appeal, however excellently it is phrased. Such debtors are now and then effectively reached by the message which violates all the usual epistolary rules.

The following collection letter was used by a drug firm in Parsons, Kansas. It is said to have been unusually efficacious in loosening the purse strings of delinquent debtors.

My dear Partner in Parsons:

I want a check of some kind! Either a real check or a pencil in one of the squares below.

Between you and me, I would like to know just where I stand, so check up on your bank balance and drop me the good news.

( ) Can't possibly make it today—will send one surely ———.
( ) I'm sending check but it's post-dated a few days.
( ) We don't intend to pay, you'll have to fight for it.
( ) We mailed you one yesterday.
( ) Here's part of it to show you our heart's in the right place.
( ) Here's all of it—shut up.
( ) Sorry we got behind—thanks for your patience.
( ) We'll try to pay each month from now on.

Many firms which grant a discount for payment of cash within a specified number of days find more difficulty in connection with this discount clause than they do with the collection of delinquent customers. Customers persist in taking unfair discounts by taking the discount long after the discount period has ended. This is plainly an injustice to the seller because he loses the use of his money for a much longer period than the discount permitted; it is also unfair to others who pay cash within the stipulated period. The following letter handles such a situation:

Gentlemen:

Our traveling representative has just turned in the order with which you favored him several days ago, but before this business can be passed through, we must arrive at a definite understanding with regard to prices, discounts, etc.

You will undoubtedly recall that in a previous transaction we had quite a controversy with you in connection with the taking of unfair discounts, and on one shipment in particular you took off something for an overcharge that was altogether out of line. Consequently, we are going to ask that you give us a signed confirmation on the order in question so that there will be no chance of a misunderstanding when our account matures.

Thanking you for this business and trusting to hear from you definitely within the next few days, we are

Yours very truly,

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CREDITS AND COLLECTIONS

By S. ROLAND HALL

How to Extend Credit and Collect Bills

CREDIT consists in buying goods and agreeing to pay for them at some future time. Credit has been defined by John Stuart Mill in his "Principles of Political Economy" as the "permission to use the capital of someone else." It has also been defined as a "right of action." This definition, however, approaches credit from the legal rather than from the economic standpoint.

Credit Departments

Credit is so vital a part of business life that large concerns doing a credit business usually have a separate department in charge of a credit man. This person is sometimes a member of the firm; occasionally he is a graduate of the accounting department; but usually he is a man with special training and experience for this particular class of work. A good credit man must have keen discernment and judgment and a thorough understanding of business conditions and business men. He must be tactful, but at the same time he must have the courage of his convictions and be ready to stand firm, even though it may seem to others that in refusing credit he is shortsighted and likely to lose customers for his firm. He must be reasonable, helpful, and even sympathetic on occasions when a debtor can be helped by good counsel. He must have a good memory and be thorough so that he will have reliable data at hand and be able to act quickly, certainly, and intelligently when the time for action comes because he often has little time in which to make a decision that involves considerable money. As in many concerns he is the financial man as well as the credit man, he must be a good financier and a constant student of the business outlook, crop prospects, etc. He must also understand buying, borrowing, banking, and keep in close touch with bankers; and must look out for maturities of obligations, cash discounts, and collections.

The credit man should be a skilful correspondent as well as a competent accountant; he should be versed in business law and particularly in the state laws that affect his business. Though the services of a lawyer are frequently required by a large credit department, matters come up daily, almost hourly at times, that make it essential for the credit man to have a good knowledge of the laws relating to assignments, bankruptcy, attachments, exe-

cutions, chattel mortgages, estates of deceased persons, grace, interest, judgment notes, limitations, statute of frauds, exemptions, notes, leases, rights of married women, and minors. And, lastly, the good credit man should be a man of good address and one who has much tenacity in his make-up, for he must represent his firm at times when diplomacy must be dovetailed with shrewd judgment, and when the ability to get money from debtors must be accompanied by the ability to retain good-will as far as it is possible to do so.

Relation of Credit Man to Customers

There is a tendency among tradesmen to look on the credit man as a natural enemy, to regard any inquiry as to the condition of business as a reflection on the tradesman's honesty. This, of course, is a biased point of view. One who sells goods on credit to another is really lending money, and no money lender can afford not to know to whom he is lending. Those who say they want no credit but will pay cash, really do take credit just the same if an extension of from 1 to 10 days is given after delivery before the goods are paid for. Those who take the attitude here referred to may see the reasonableness of the creditor's inquiry when asked if they do not look into the standing of customers who ask credit from them or if they grant credit freely to absolute strangers.

Many tradesmen have had reason to thank wise salesmen and credit men who, at times when it was tactful or expedient to do so, have given valuable advice on the subject of management, buying, and extending of credit. A young western merchant at the outset of his mercantile experience was advised by a friendly credit man that he should always know what his condition is, through monthly or even weekly inventories; that he should know his costs and figure on a fair profit, no matter what his competitors or business neighbors were doing; that he should see that his books were kept well and that credit-granting was held down to the minimum. A long time afterwards, in a letter to the firm, this young merchant wrote: "Give my best regards to your credit man; I cannot recall his name. When I first started, he gave me some good advice that I shall never forget. I have followed the advice and I find my business growing every year."

The retail merchant, who is the one to be considered most in this discussion of credit, does not usually find the road to mercantile success easy. He usually starts his business with more confidence than capital. Often he is inexperienced in buying,

selling, extending credit, management of his money, and banking. But many retailers must confess that though it proved to be a shock temporarily, a refusal by a credit man to extend further credit or a pressing demand to pay an overdue account proved to be a valuable lesson in showing how loose the condition of the business was.

Limit of Loss Through Poor Accounts

What a concern can actually afford to lose through bad debts depends on the nature of its business. Some firms expect the percentage of loss to be kept as low as one-tenth of 1 per cent. of the sales, but this is undoubtedly very low, and it is contended by some credit men that it is actually unprofitable to attempt to keep the loss so low—that the caution required in keeping the percentage so low kills a great deal of trade, and that the extra business that could be secured by more liberality in the credit department would increase the profits so largely that even a greater loss on bad debts would still leave the business materially ahead in net profits. A credit man who once showed his firm that the percentage of loss during an uncertain year had not been increased was reminded that the year, nevertheless, had been disastrous, that because of the unwillingness to be a little more liberal and accommodating in times of stress, much good business had been lost to competitors and probably lost forever, for as a debtor remembers favors in times of need, so he remembers the denial of a little unusual consideration.

On the other hand, firms turning out products on which the profit is large are forced to do a great deal of instalment-paying business. Some of these concerns can stand a loss of 20, 30, or 40 per cent. of their accounts and still do a profitable business. However, these concerns are in a separate class; they are obliged to sell to persons when there is very little evidence of the purchaser's ability to pay; and, naturally, in fixing prices allowance is made for a large proportion of lost accounts and the profit is fixed high enough to make the net balance as large as it should be. Concerns of this class do not find it necessary to make such a close study of credit as do the dealers in staple goods, on which the profit is comparatively small. Each separate line of business is a separate study from the credit point of view as well as from the sales point of view.

Determination of Credit

The failure of men to pay their debts is not always, or even usually, due to dishonesty. Carefully compiled statistics that

cover thousands of business failures occurring during a period of eight years show that in no year was the proportion of fraudulent debtor as high as 10 per cent.; in some of the years the percentage of those who failed through dishonest tendencies was less than 5 per cent. The various causes of failure are: Lack of sufficient capital, disaster (commercial crises), incompetence, inexperience, unwise extending of credit, outside speculation, neglect of business, extravagance, fraudulent disposition, failure of others, overcompetition.

The causes of failure cannot well be given in the order in which they come, as to frequency, for one year's record rarely gives exactly the same percentage as another. In a panic year, for example, commercial disaster and failure of others are more frequent causes of failure than in other years. Lack of sufficient capital and incompetence always, however, constitute a good proportion of the failures, a much larger proportion than fraudulent intent. Commercial disasters make up another large percentage.

Insufficient Capital

As a large proportion of failures is caused by a lack of sufficient capital, credit men pay strict attention to this item. They consider not only the amount but the various items of which it consists, how the capital was acquired, and so on. One who has, through years of successful management, gradually accumulated a capital of $1,000 is a better risk than a man of previous small means and little business ability who has suddenly come into possession of $10,000. Real estate, buildings, and fixtures are not valued so highly as assets as a well-bought stock, because ordinarily merchandise can be turned into money more quickly. In fact, a firm may be overburdened with real estate and buildings that cost twice as much to maintain as should be charged up for rental.

The item of profits often has to be analyzed. Tradesmen are prone to include as profit many accounts that may never be collected. Accounts that are secured with good notes constitute a better asset than open accounts. In farming communities, notes are better assets in the fall, when crops are being sold, than in the spring, provided, of course, that crop prospects are not poor. The age of accounts will bear scrutiny; there is more likelihood of loss in old accounts than in new ones unless they are well secured. In some sections a merchant finds it necessary to do a very large credit business, but he may do it with safety if he is a careful manager of his accounts. The distribution of the profits, also, is important. The merchant is tempted to make

many small investments to help along local enterprises. If these investments may be quickly converted into cash when cash is needed, well and good; but if they cannot be so converted, they may interfere with the success of the business.

Buying Ability

Whether the merchandise is new, or whether it is old stock taken in from a predecessor at too high a valuation, is important. Many merchants fail through injudicious buying—buying the wrong kind of goods, buying more of a certain class of goods than can be sold at a fair profit, or buying at the wrong time. In fact, buying is nowadays regarded just as much of a science as selling; it is obvious that success in selling depends largely on the judgment used in buying. A man with a net capital of $20,000 may be forced into failure because he has not looked out carefully for convertibility. In some lines goods can be sold and a small capital turned much more quickly than in others. Groceries, for example, move more quickly than furniture; jewelry and millinery are slow-moving merchandise, and an overstock of the latter may be almost a dead loss.

There are very few business firms that are burdened with idle capital. On the contrary, the success and credit reputation of most enterprises depend, to a considerable extent, on the skilful way in which the invested capital is handled so as to reap the largest possible profits with the minimum amount of money. Thousands of concerns are obliged to get along with smaller capital than is desirable. Even very large concerns of unquestioned strength frequently find themselves short of ready money. The banks afford the way by which business firms can obtain money to meet temporary needs, but as banks charge interest for the money they lend, it is the aim of every well-managed firm to reduce as far as possible the occasions when it is necessary to borrow and pay interest on outside money. This may be done by frequently *turning over the capital*, that is, converting the stock into money again. In other words, the merchant with $10,000 capital, who buys with only fair judgment and manages his business none too well and who is able to turn over his capital only once a year, is not doing as well as the man with only $5,000 capital who buys with marked judgment, has an aggressive selling policy, and watches his expenditures and income so carefully that during every five months he converts his stock into money and is able to buy again. By good management, the man with only fair capital can often earn a larger net income during the year and have his cash, stock, and credit in as good condition as

the man of larger capital who has less merchandizing ability. The man of large capital has one noteworthy advantage, however; he can buy in large quantities, get low prices, and have, in some lines of goods, the advantage of a greater variety of goods with which to satisfy customers. The man of small capital must meet this competition by more careful selection in his buying, buying small lots but buying more frequently, and pushing sales vigorously, so as to regain his capital quickly.

Acceptance of Discounts

A frequent question in determining credit is, "Does he take cash discounts?" To one who has not been a buyer on small capital, cash discounts may not seem to be of great importance; but when a merchant must lose the 2 per cent. offered for settlement in 10 days—and pays the 2 per cent. for the use of the other concern's money for an additional 20 days, 30 days being the common credit period, he is paying 3 per cent. per month on money, or 36 per cent. per year. Therefore, the man who so manages his credit and income as to take advantage of most of the cash discounts may earn a good income on that saving alone.

Ability and Character

Success in business depends as much on character and ability as on capital. A man may have little capital but be a good risk, while on the other hand he may have considerable capital at the outset and be a poor risk. A careful credit department and a discerning salesman will take account of a man's previous business adventures, the character and ability he demonstrated in them, the attention he gives to his new venture, his carefulness in buying, his store management, his advertising, his giving of credit, his personal habits, whether or not he has an extravagant family. Gambling, intemperance, careless borrowing or lending, have to be considered as factors that make against success and the likelihood of paying debts. A man's thriftiness, his education, whether he has children, the amount of his life insurance and the time he has carried it are other considerations that bear on his character and ability. That a man has failed once is not necessarily against him; inquiry should be made as to the circumstances. Many a man has, in failure, learned the best lesson of his life and can be put down as a good risk in later business ventures.

Competition, Partners, and Leases

In the giving of credit, the existing competition is taken into consideration, owing to its bearing on the success of a business.

The personnel of the firm, also, is carefully considered; for though one member may be a most desirable risk another may be inefficient, if not actually risky.

As the location of a business is a large factor in its success or failure, the leases of all concerns that rent their place of business are carefully examined before much credit is extended.

Sources of Credit Information

Good work in the credit department is not the result of guessing; it is good work only when information is obtained from every available source of information before a decision is reached. The common sources of information are: (1) Published ratings in the books of the commercial agencies; (2) special reports from the commercial agencies; (3) reports from salesmen; (4) reports from bankers who know the man seeking credit; (5) reports from lawyers in the community where the credit seeker lives; (6) reports from firms with whom the credit seeker has done business, or those that know him well; (7) statement from the credit seeker himself; (8) previous experiences of the firm, if any, with the one seeking credit.

In addition to these sources, however, a capable credit man takes account of other factors. A credit seeker starting up a business in a growing town that has much to insure its business future and where the competition is slight will have more consideration, other things being equal, than one who attempts to establish a new enterprise in a town where business is poor and the competition strong. Credit seekers in cities that are trade centers and have many kinds of industries to support them are classed as better risks than credit seekers in cities that are dependent largely on one or two industries that are not regarded as stable. Take, for example, a city in which automobile manufacturing is the principal industry. As long as the automobile business is in a prosperous condition, the number of skilled mechanics employed will make the city one of good wages and one in which a good merchant should do well, other conditions being favorable. But the credit man, when making his credit decisions in that city, will give careful consideration to the situation in the automobile field. Likewise, when passing on the credit risks of a city dependent largely on the surrounding farming territory, the credit man keeps a keen outlook on crop prospects, knowing that the crop conditions determine the farmer's ability to meet his notes and other debts, and that the farmer's ability to pay up will affect the tradesman's ability to pay.

Use of Mercantile Agency

The large commercial agencies, such as Dun and Bradstreet, lend their subscribers rating books in which a comprehensive list of business concerns and men is given, together with keys that advise as to the class of the risk, and amount of credit that can be safely extended. These books are useful but do not go far enough to give a credit department all the information it needs. Besides, great changes take place between the publishing of the various editions of these books. But as the commercial agencies have an elaborate reporting system it is the custom for subscribers to call on them for special reports.

Reports by Salesman

The discerning salesman who calls regularly on a customer can, with very little effort, give his credit department the most valuable kind of data. The salesman has an opportunity to judge what the merchant's trade is, how carefully the merchant buys, his advertising policy, how wisely he extends credit, how well he attends to business, how he stands in the community, the competition he has to meet; all of which, put with what the merchant tells the salesman, ordinarily gives an accurate idea of the situation. A man would have to be very clever if his business were steadily going backward, for any of the usual reasons, and he were able to keep this fact from a salesman calling regularly. Many credit men say that if they had but one source of information on the question of credit risk, they would prefer the report of an observant salesman. If the salesman makes it his business to cultivate the acquaintance of bankers, lawyers and other prominent men, his reports and opinions will be of greater value.

It is a common practice for firms to require their salesmen to obtain a complete statement from a new customer. In Fig. 36 is shown a good example of one of these statements; it must be sent with the first order from any person. In Figs. 37 and 38 are shown specimen reports of mercantile agencies that have been asked for special information concerning a corporation and an individual. It shows how carefully all details are considered by them.

The salesman should not hesitate to ask for a signed statement in all the cases where it is required by his employer. There was a time when many business men regarded any inquiry into their business affairs as impertinent or unnecessary, but today any man of good sense and business experience realizes that it is

SALESMAN'S NEW CUSTOMER REPORT

To be filled out and sent in with each new customer's order. Do this in order to insure receiving credit for the sale.

Amount of order, $..... Date..... 19...
Sold to.....
P. O. Address..... State.....
R. F. D..... County.....

INDIVIDUALS IN FIRM

..... Age..... Married?.....
..... Age..... Married?.....

GENERAL INFORMATION

Kind of business.....
Estimated value of stock..... $.....
Condition of stock.....
Insurance ..... $.....
How long in business.....
Safe amount to credit..... $.....
Estimated value of real estate (subject to debts).....$.....
Consisting of.....
Ever failed?..... Ever been sued?.....
Character ..... Business ability.....
Does banking with.....
Present crop prospects.....

BUYS FROM FIRMS NAMED BELOW

Name	Address
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

WRITE YOUR OWN OPINION ON THE OTHER SIDE

Rating { Dun.....
.....
Bradstreet.....

[Salesman.]

FIG. 36

SPECIAL REPORT ON A CORPORATION

Easton (The) Iron Works—Mfrs. Machinery, etc.—
Easton, Northampton Co., Pa.

A. B. SMITH, Pres.
B. C. BROWN, Vice Pres.
N. D. JONES, Sec'y.
D. E. HILL, Treas.

Branch Offices { Singer Bldg., N. Y.
Meyer Bldg., Boston
Hill Bldg., Chicago

DIRECTORS.—A. B. Smith, B. C. Brown, A. K. Jenkins, all of Easton; J. M. Mayell, of New York City; W. C. Williams, of Chicago.

The following statement was received at our office January 4, 19..., showing the condition of the company according to their books as of December 31, 19....

ASSETS

Merchandise	$32,337.60	
Machinery and fixtures	39,310.53	
Accounts receivable	43,269.90	
Bills receivable	9,954.12	
Cash on hand and in bank	1,048.28	
Real estate	50,680.12	
Other investments	5,830.42	$182,430.97

LIABILITIES

Capital stock	$25,000.00	
Surplus and undivided profits	89,951.71	
Bills payable	23,662.00	
Accounts payable	11,231.50	
Bonded debt	12,000.00	
Depreciation	20,585.76	$182,430.97

Annual business.....$140,000.00
Annual expense..... 45,500.00
Insurance on machinery, real estate, and plant, $50,000.00.

The Easton Iron Works,
N. D. Jones, Sec'y.

This is a Pennsylvania corporation chartered (January) 1884, with an authorized capital of $25,000 all paid in. The company, when it commenced business, leased the plant of the Clifton shops, which had been vacant for some time, but in 1901 built its own plant. At that time it was found necessary to raise money, so a bond issue of $12,000 was floated, which was secured by a first mortgage on the property, redeemable 1931. The company, from the start, has shown a steady growth. The officers are men who have spent many years in this line of business and the prospects are favorable for the continued success of the business.

TRADE OPINIONS.—Six houses, where most of their purchases are made, report credit extended in amount up to $5,000, and while in one or two cases the firm has been found settling by note, it usually meets payments when due and discounts the small bills. Authorities believe that after all allowances have been made, the company has a worth of $90,000 to $100,000

.....P B.....January 6, 19

FIG. 37

SPECIAL REPORT ON AN INDIVIDUAL

Hawkins, L. E. or Leonard E., 45, married—Grocer—
736 Miller St., Pittsburgh, Allegheny County, Pa.

Was interviewed by our representative at his place of business January 4, 19 , when he submitted the following signed statement, showing his condition according to inventory of January 1, 19 .

ASSETS

Merchandise	$5,525.63	
Accounts receivable	725.45	
Cash on hand and in bank	600.00	
Fixtures	800.00	
Real estate	5,000.00	
Other assets	1,500.00	$14,151.08

LIABILITIES

Accounts payable for merchandise	$ 836.80	
Borrowed money from banks	800.00	
Mortgage on real estate	2,500.00	$ 4,136.80
Net worth		$10,014.28

Sales last year, $28,000.
Insurance on merchandise, $5,000; on fixtures, $800.
Insurance on real estate, $4,000. (Signed) L. E. Hawkins

His business career dates from 1916, when he succeeded to the stand formerly conducted by Chas. B. Wells. Previous to that he had clerked for others in the same line of business and it is understood that he had saved about $800 from his salary and with this money he purchased the business from Wells. The business was a small one at the start, but by careful management and economical methods he has made headway. The statement has been submitted to authorities, well acquainted with his affairs, who believe it to be a true reflection of his condition as shown by his books. He rents the business place for $40 a month and the real estate mentioned in the statement is the residence on Euston Street, which authorities believe to be worth $4,000 to $4,500. The real estate, however, is understood to be in the names of Leonard E. Hawkins and Daisy Hawkins (his wife) and property held in this way, according to the laws in this state, is not available for his individual debts.

"Other Assets," mentioned in the statement, consists of ten shares of the stock of the B National bank worth $1,200 and a judgment note in his favor for $300.

Personally he is well regarded, gives the business proper attention, and is assisted by his wife. He is in good repute at the bank; is careful with his credits, and six wholesale houses report as follows: Three have granted credit as high $300 and $400 a month and payments have been met when due. Three have granted credit as high as $50 a month and bills have been discounted.

About 2 years ago he suffered damage by fire to the extent of $600 but the matter was adjusted for the full amount. Authorities believe that after all allowances have been made he is worth $4,000.

.....V D.....January 6, 19

FIG. 38

to his own interest to furnish those from whom he seeks credit a frank, full statement of the condition of his business. If necessary, it may be explained to a customer new to the mercantile business that the statement is for the purpose of establishing a line of credit; that it will prevent delays in filling orders also. Ordinarily, any man who resents an inquiry into his business is to be credited cautiously. Naturally, the salesman will deal with many men and firms from whom he will not have to secure statements, but he will serve both his firm and his own interests well by reporting even on old customers any new data that may seem to bear on the matter of credit.

Reports From Bankers and Lawyers

Bankers, from the nature of their business, are careful investigators of the standing of local business men. The good banker has to be critical and conservative but, on the other hand, he must be a good student of human nature and of business situations so as to lend all the financial support that is safe. But the out-of-town concern seeking the advice of a banker will have to keep in mind the banker's natural tendency to help along local business enterprises It is not always easy to get a prompt report from a lawyer, unless the firm seeking the information gives the lawyer collecting business. But credit departments get considerable valuable data from lawyers to add to the information gathered from other sources, and in case legal action becomes necessary, the attorney's familiarity with the situation makes it possible to take the proper steps more quickly. It is the practice of some credit men to enclose a stamped-and-addressed envelope and a very small fee when asking information from lawyers.

Asking the Buyer for References

When it seems necessary, a credit department will address a letter to the buyer in about the style of the following:

CHICAGO, ILL., May 18, 19

MR. JOHN BREYMEYER,
Springfield, Ohio.

DEAR MR. BREYMEYER.—We have just received your order through our Mr. Sumner.

As we have not had the pleasure of doing business with you before and you do not seem to be rated in any of the commercial agency books, we ask you to give us the names of other concerns with whom you have dealt or are now dealing.

You understand, of course, that this is not only for our own satisfaction but also for the purpose of giving you all the accommodation that you are entitled to.

We assure you of our careful attention to your interests and trust that we may be able to keep you on our list of pleased customers.

Truly yours,

Mail-order concerns sometimes ask for the names of local business men as references, and then ascertain whether or not the applicant is considered at home a good risk for the amount of credit he seeks away from home.

Reports From Other Firms

The firms with which a credit seeker has been doing business afford a good source of information, if they are willing to answer

[Strictly Confidential]

DEAR SIR.—We shall be grateful to you if you will answer the questions listed below, thus giving us your frank opinion of the character, habits, business ability, and financial standing of the man or firm named..

We hope to have a reply promptly and hope also that there may be an occasion in the near future when we can reciprocate your kindness.

Name of firm or person John Simpson

Location Plymouth, Pa.

Is he now a customer of yours?.....

How long has he done business with you?.....

What credit do you extend?.....

Does he take cash discounts?.....

If not, does he meet bills promptly when due?.....

Give an idea of the extensions he asks for, if any.....

.....

If not against your policy, state how much he owes you now, and what part, if any, is past due.....

.....

Has your experience been generally satisfactory with this customer? .....

Have you any reason to suspect that he is not as good a credit risk just now as he has been in the past?.....

Other data bearing on credit risk.....

.....

.....

.....

.....

FIG. 39

questions. In Fig. 39 is a form of inquiry that has been used successfully.

Collating and Comparing Reports

It is the practice in credit departments to compare the reports received from various sources. One report may be more detailed than another or be a later report and thus show a change for the better or for the worse in a credit seeker's business affairs. Changes may take place so rapidly in the business affairs of a concern that it is just as important to have the information up to date as it is to have it accurate at the time it is received. Besides, there is always the chance for oversight, and a report

from a single source may not include an item of much importance to the credit man.

Mail-order concerns selling low-priced goods on approval are influenced by the letterhead on which a man writes. Sometimes they ask in their advertisements that a business card be enclosed. When neither the letterhead nor the card seems to indicate that the credit is safe, the inquirer's rating is looked up or references are asked for. A celebrated jewelry house offers to send goods out on approval if customers will forward satisfactory bank references with the order.

Action By the Credit Department

When considering the approval of a credit order, the credit department takes account not only of the data at hand as to the

---

NOTICE FOR SALESMAN

ORDER HELD FOR CREDIT

MILWAUKEE, WIS.,.....

MR.....

Owing to lack of information, we are holding order from.....

.....P. O.....

Agency ratings are as follows:

Dun.....Bradstreet.....

If full report was sent with the order, this is intended only to advise you of its probable disposition, and as a suggestion that you give any further information you may possess. If report was omitted, please forward one immediately and include trade references, as many as you can.

Reports should accompany orders where there is a change in firm name, as well as those from new customers.

Salesman's reports with trade references save time, and frequently enable credit to be given promptly where we could not do so without such information. Please write your reply on back of this sheet.

BLANK HARDWARE AND MFG. CO.
Credit Department.

FIG. 40

standing of the firm or man from whom credit is sought but also the condition of the account with him. The credit seeker may be already owing the house as much as the credit department thinks it is wise for him to owe. Salesmen who attend to collecting are frequently advised that a new order cannot be approved until an account that is already due or about due is paid.

In Figs. 40 and 41 are two forms that are in common use by credit departments; they inform the salesman of the disposition of the orders to which they pertain.

Photo by Schutz

CREDIT—COLLECTIONS

Convention of The National Association of Credit Men.

Cooperation of Salesman and Credit Man

It is inevitable that salesmen should sometimes feel that the credit man is wrong in his decisions, that he does not appreciate the situation in the sales field, does not know how much work is required to keep up a good sales record, and so on. Credit men are only human, and they do err. They sometimes refuse credit and offend a customer, who gives his patronage elsewhere and turns out, after all, to have been a safe man. But credit risks cannot be determined with the same exactness as mortality in life insurance. As long as credit men must get along with few facts and must take probability and human character into account, so long will some mistakes be made. But the

Form IV

NOTICE TO SALESMAN OF CREDIT LIMIT

BLANK HARDWARE AND MFG. CO.

MILWAUKEE, WIS.....19

MR.....

Your order from

.....P. O.....

has been approved; but from the information at hand, we will for the present limit the credit to $..... If you have any comment to offer, please write us promptly.

BLANK HARDWARE AND MFG. CO.
Credit Department.

FIG. 41

far-seeing credit man will do all, within reason, to help a struggling tradesman; it is to the interests of his firm for him to do so. When, therefore, the salesman feels that the decision is wrong, he should set forth his reasons for believing that the credit should be extended. When the credit department insists that a balance due should be paid before further credit is granted, the salesman should give his hearty cooperation and undertake to see that payment is made.

It would expedite matters if a salesman, when sending in an order from a man who already has a good-sized unpaid account standing, would give the credit department a statement as to why he believes it is safe to extend the limit of credit. When the salesman does all in his power, he has the right to expect the credit man to use tact and judgment and not pursue a course that kills the work of the salesman or makes it unreasonably hard.

It is a well-known fact that the man who is a poor risk is

often the man from whom it is easiest to secure a large order. Consequently, it is the tendency among new or lazy salesmen to give too little attention to the cautious, hard-to-please but sure-to-pay buyer and to go after those who are easily loaded up. In the long run, however, this is poor business not only for the house but for the salesman himself, for his earnings depend on actual deliveries, sometimes on actual collections, and not on the total of orders as it appears on the original order forms. Giving no consideration to credit will soon bring the salesman the reputation of having poor judgment.

Making the Salesman a Judge of Credit

Some concerns not only depend on their salesmen for credit information but make them responsible for collections to the extent of charging a percentage of the loss against the salesman's compensation when an account is lost. At least one large and successful concern whose salesmen are collectors as well charges a penalty of 10 per cent. of the lost account and, after years of experience with the method, finds that it compels better attention to credits and collections. This method of doing business does not, however, do away with the usual credit department.

When a salesman, on account of a customer's delinquency, has to stand the loss of commissions previously granted, the system is known as a *chargeback* system.

Collections

Sales do not count unless payment is collected. When a large part of a business is done on credit, the collecting end of the work is scarcely less important than the selling. But, unfortunately, many business concerns do not realize the importance of good qualities in the collector, and by mediocre work constantly interfere with the selling end. The truth is that a skilful collector requires as many good qualities as a good salesman. It may, perhaps, be safe to go further and say that the skilful collector needs even more tact and judgment than the salesman, for the salesman is helped by the attractive goods he shows or by the demand that exists with the prospect; but the man who seeks to collect money has no such aids.

Organization of Collecting Work

There are four principal methods by which money is collected by selling organizations: (1) Through collectors, who devote most or all of their time to collecting; (2) through salesmen, who act both as salesmen and collectors; (3) through cor-

respondence; (4) through some outside agency, such as a lawyer, a bank, or a collection agency.

Where credit accounts are so concentrated that a collector, doing that work alone, can get around from one customer to another without much loss of time, the sales work is usually separated from the collecting. There is good argument both for and against this practice. Inasmuch as selling and collecting are such different errands that one interferes with the other, it is to the salesman's advantage to have some one else take up the matter of payment for goods bought on credit. But on the other hand, by reason of his knowledge of the customer, the salesman is in a better position to attend intelligently to the collecting, and besides, when he knows that he must be responsible for collecting, his sales work will be done more efficiently. When customers are widely separated, it is too expensive to have any one but the salesman attend to that part of the collecting which must be done by means of personal calls. Consequently, such large organizations as the H. J. Heinz Company, and others have their salesmen collect as well as sell.

There is no question as to the greater efficiency of the capable personal collector over the correspondence method. The correspondence method is economical, may be managed systematically, and in some lines of business meets the needs better than any other method would. Some concerns, from the nature of their business, must rely almost entirely on letters, using the attorney or agency system only as a last resort on hard cases. But it is easy to ignore a letter; thick-skinned slow payers may toss them into the waste basket with a smile. Then, again, letters concerning debts give offense to many people. The tactful business-like collector is not turned away without attention or with a flimsy excuse. A number of concerns forbid their salesmen to attempt any collecting by mail or by telephone, because of the tendency to overuse these methods.

Classification of Accounts

Accounts may be divided into four general divisions. Before maturity; at maturity; after maturity; past recovery. After maturity accounts may be divided into: Careless; chronically slow; temporarily hard-up; insolvent. Though it may seem unnecessary thus to classify accounts, in efficient collecting work it is desirable to know in what class an account belongs, because efficient collecting depends on a comprehensive knowledge of the account. The importance of watching closely the maturity of accounts is emphasized by the judgment of a well-known credit

man who has estimated that only 10 per cent. of the losses that have come under his observation took place before maturity, which means, of course, that, in his judgment, nine-tenths of the losses are due to conditions that arose after the maturity of the obligations. If the judgment of this credit man is even approximately right, there can be no stronger argument for the need for watching the dates of maturities very carefully, and for classifying the various kinds of overdue accounts.

Factors of Efficient Collecting

Every efficient collector has his own way of doing his work, but all will agree that the foundation principles of successful collecting, whether the work is done by means of personal calls or by correspondence, are: Promptness; adequate knowledge of each account to be handled; tact; firmness; persistence.

In collecting, as in sales work, a standard should be set and efforts continually made to reach it. Every live business concern needs a certain amount of money coming in regularly. It cannot do business this month on the money that is to come in next month. The man in charge of collections, therefore, should determine at the beginning of each week or each month what he should get in for that period, and then work to that end. If the collection on an account that is counted as being paid in the current period must, for some good reason, be deferred to the next period, the collector should endeavor to make up the deficiency on some other collection and thus maintain his estimated total for the period.

Use of Comparative Records

Comparative records should be kept of all work to show how one year's business compares with another. These records constitute a business barometer and promptly warn the man in charge of collecting work when the work is less efficient or trade conditions are less favorable. A good arrangement for these records is:

Amount on Books	Month	Per Cent. Collected
$22,194	January, 1920	95.9
20,762	January, 1921	94.6
17,354	January, 1922	96.5
20,084	January, 1923	97.1
18,386	January, 1924	97.3
21,089	January, 1925	98.4

Systems for Handling Accounts

There has been marked improvement in accounting and general office methods during the last dozen years, with the result

that with the labor-, time-, and worry-saving systems now offered by the manufacturers of office equipment, the head of a collecting department or a salesman will have no difficulty in establishing a system for taking care of his work. What an office system should be depends largely on the quantity and exact character of the work, but preference is now given to loose-leaf books and filing systems rather than to the permanently bound books once generally used. The modern methods permit the keeping separate of all active and closed accounts, as well as the easy transferring of an account from one class to the other. In this way, all unnecessary handling of accounts is avoided; and as all the accounts are conveniently arranged and indexed, any account may be readily found.

Loose-Leaf Book in Collecting Work

Many persons prefer the loose-leaf book for keeping collection records, because the binders will hold securely any number of sheets from one up to the full capacity of the book; hence the book may be built up as there may be need. Also, as the pages

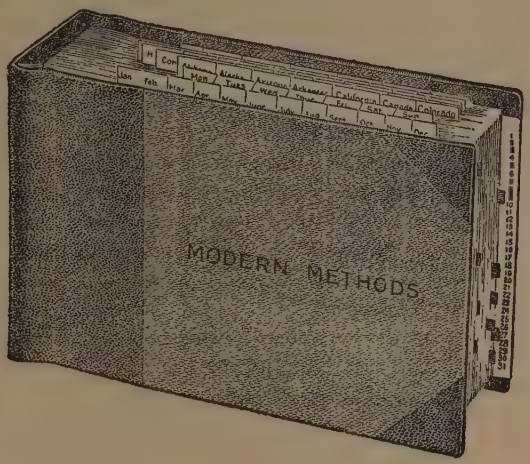

Fig. 42

may be easily removed and inserted, it is possible to remove to a transfer file all pages that are full or that are no longer needed in the book. The indexes at the side of the book make it easy to refer to any page, and as an index can be arranged at the bottom or top edge of the books as well as at the side, and metal markers can be used as reminders of dates on which certain sheets require further attention, an index arrangement to suit any busi-

ness can be adopted. If it is necessary to take a leaf out of its proper place in order to make a notation, there is little likelihood of leaves being misplaced. The records may be arranged alphabetically, topically, geographically, or numerically, all at the same time and in the same book. Besides, as the book is flat,

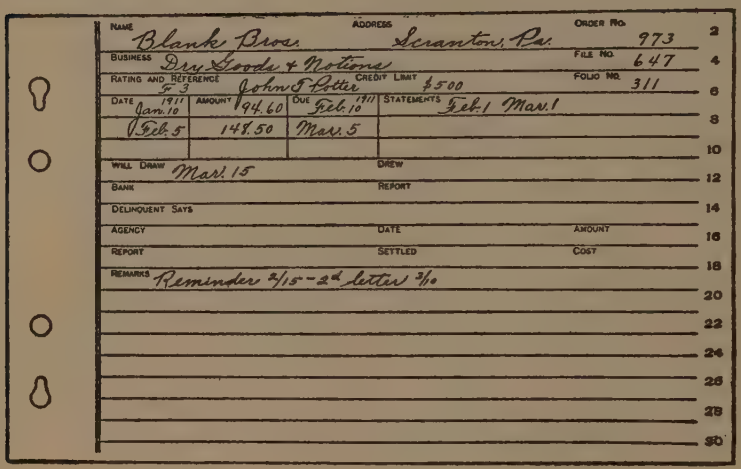
NAME Blank Bros. ADDRESS Scranton, Pa. ORDER NO. 973
BUSINESS Dry Goods & Notions FILE NO. 647
RATING AND REFERENCE 5-3 John S. Potter CREDIT LIMIT $500 FOLIO NO. 311
DATE 1911 Jan. 10 AMOUNT 94.60 DUE Feb. 10 1911 STATEMENTS Feb. 1 Mar. 1
Feb. 5 148.50 Mar. 5
WILL DRAW Mar. 15 DREW
BANK REPORT
DELINQUENT SAYS
AGENCY DATE AMOUNT
REPORT SETTLED COST
REMARKS Reminder 2/15 - 2d letter 3/0

FIG. 43

it affords a good writing foundation and an entry may be made without going to a desk. In Fig. 42 is shown a popular style of loose-leaf book, which holds a sheet 5 in.×8 in. A triple form of index is shown at the top edge, while metal markers at the side show the dates on which the various sheets are to be given attention. In Fig. 43 is shown the arrangement of one of the stock forms that may be purchased for these loose-leaf books.

Filing Systems

Perhaps the simplest form of filing system is that used by many salesmen that have but a few collections to make each day; this is known as the envelope system. Records of each account are kept upon cards, which are placed in envelopes that are numbered consecutively from 1 to 31. Each envelope, therefore, contains the records of all the accounts that must be collected on a certain day. For example, envelope 25 contains the records of all accounts on which a payment is due on the 25th of the month. As a collection is made, a record of the fact is made upon the card, which is then replaced in envelope 25, or the one bearing the date on which the next payment is to be made. The

principal advantage of the envelope system is that, in addition to keeping together all accounts due on the same date, all statements, bills, etc., pertaining to the various accounts may be fastended to the cards containing the records and the complete record of the account thus kept together.

Card Systems

Where a greater collecting business is handled than the simple envelope system will accommodate, a card system may be used. This system is particularly adapted, however, to cases where no copies of letters are to be filed and where the entry is

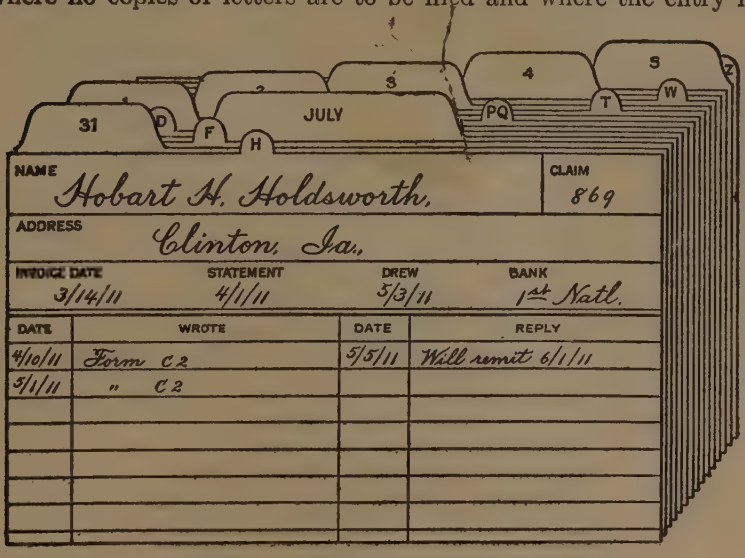

Fig. 44

merely that a certain form has been sent or a call has been made by the collector. Card records, though, are especially convenient because they can be carried in the pocket of the collector and entries made each day as he completes his work.

In Figs. 44 and 45 are shown two cards systems that may be used to make the details of collecting as automatic as possible, while at the same time having a handy record of just what has been done in each case. In the system shown in Fig. 44 the card is filed ahead, from time to time, between guides bearing the names of the month and the days of the month, so that if a customer promises payment on July 5 his card may be placed at that point in the file. The projecting tabs make it possible to find any card readily because each name card has a tab on which

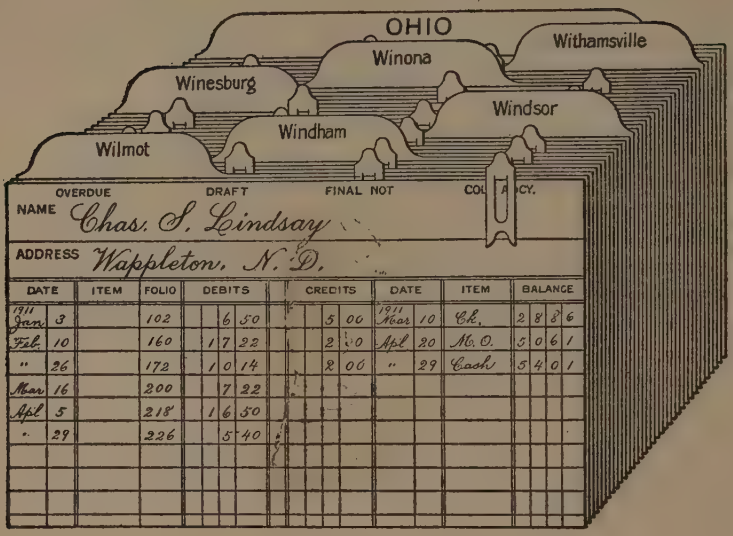
OHIO
Withamsville
Winona
Winesburg
Windsor
Windham
Wilmot
OVERDUE
DRAFT
FINAL NOT
NAME Chas. S. Lindsay
ADDRESS Wappleton, N. D.
DATE ITEM FOLIO DEBITS CREDITS DATE ITEM BALANCE
1911 Jan 3 102 6 50
Feb 10 160 17 22 5 00 1911 Mar 10 Ck. 2 8 3 6
" 26 172 10 14 2 10 Apl 20 M. O. 5 0 6 1
Mar 16 200 7 22 2 00 " 29 Cash 5 4 0 1
Apl 5 218 16 50
" 29 226 5 40

FIG. 45

is printed the first letter of the name; for instance, the card shown has H on the tab, as that is the first letter of the name.

In Fig. 45 is shown a method of filing accounts geographically, while clips, or markers, are placed on the cards at certain

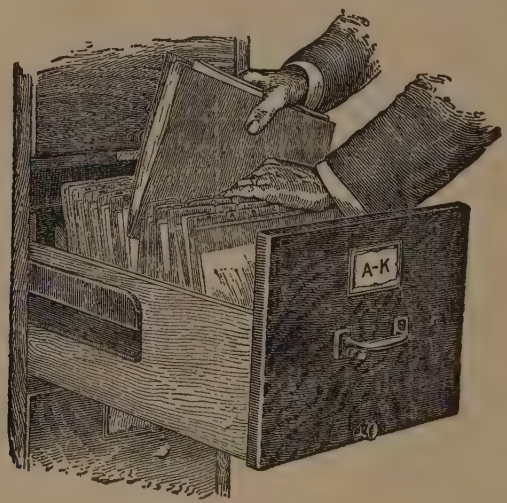

FIG. 46

points as a reminder of the exact condition. This system is particularly adapted to overdue accounts. When an account

becomes delinquent, a record is made out on the form. After the first step has been taken, a marker is slipped on the edge, showing exactly when the matter should have further attention. Should a remittance be received, the record, being alphabetically arranged, can easily be located and notation of the fact made. If no remittance is received, the marker will bring it up for attention on the proper date, and further steps may be taken in the matter. By moving the marker further ahead, so that it will again come up promptly on the proper date, no important matter need be overlooked.

Vertical Filing Systems

When the records of the accounts make it impractical to use the envelope or card systems, the vertical filing system may be used. A section of a cabinet for vertical filing, with one drawer pulled out, is shown in Fig. 46. The drawers of these cabinets contain lettered or numbered guides between which are placed, on edge, the correspondence, statements, etc., of the various accounts. As the guides project above the edges of the correspondence, any account may be easily found.

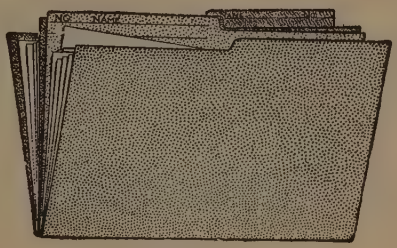

FIG. 47

Usually, all matter pertaining to each account is kept in a folder, which separates it from all other accounts and makes it easily removed. The folder shown in Fig. 47 is cut with a projecting tab, which serves as an excellent supplement to the guides. The name is written on this tab and is easily seen by any one glancing over the drawer. The folders keep the correspondence from doubling up and working toward the bottom of the file. If the correspondence is not removed frequently, each batch may be fastened together tightly with clips and placed behind the proper guide. The folder method is the better, however, as it separates each batch of correspondence from adjacent batches. The compressor supplied with most vertical cabinets will keep the correspondence of a partly filled file from falling.

Arranging and Indexing a Vertical File

Vertical files are usually arranged and indexed in one of four ways: (1) geographically, or by localities; (2) by subjects; (3) by correspondents' names; or (4) by numbers, which is

known as the *numerical method.* Files are sometimes indexed by date, but this method is chiefly temporary, being used only to supplement one of the other methods.

Some credit departments transfer all accounts with which there has been trouble to cards of a different color. When the regular account cards are white and those of troublesome customers are pink or blue, it is easier to keep track of the slow payers; this method applies, of course, only to card ledgers.

Filing by Customers' Names

The method of filing by customers' names is the most common of all systems. The simplest file of this class, and one that does well where there is not much correspondence, is such as is shown in Fig. 48, in which twenty-six guides, A to Z are distrib-

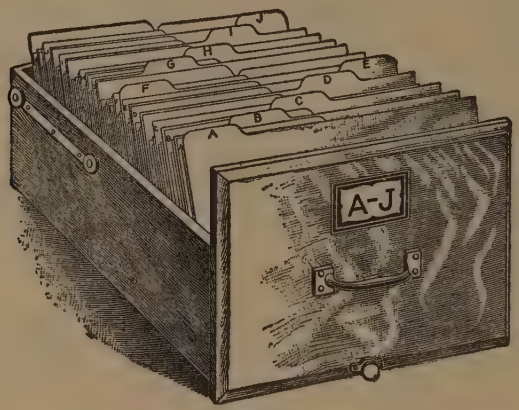

FIG. 48

uted in the drawers of a two-drawer or a three-drawer cabinet. If, however, the correspondence is large enough to fill a number of cabinets, it is better to use a more finely divided set of guides; for example, one guide covering Aa to Am, the next An to Az, and so on. Ready-made sets of guides of almost any size desired can be had.

If the heaviest correspondence is with a few firms, a special section of the cabinet can be set apart for these accounts, and if desired, a set of subguides may be used to separate this correspondence according to subjects. But, of course, by a system of this kind it will be necessary to write on only one subject in one letter.

Numerical Method of Filing

In the early days of vertical filing, there was an overuse of what is known as the numerical method. In this case, the folder or guide, instead of the correspondent's name, bore a number, so that the correspondence could be found only by referring to a card file in which names were indexed alphabetically. This method has the advantage of keeping together all the correspondence from a given source, whether the letter is written by Mr. Brown, the president of the company; or by Mr. Smith, the secretary; whereas, by the alphabetical system, there is an inclination to put all Browns under B and all Smiths under S.

The name or the numerical method is the one usually adopted for collection work. When the numerical system is used, the correspondence, copies of statements, etc., should bear the

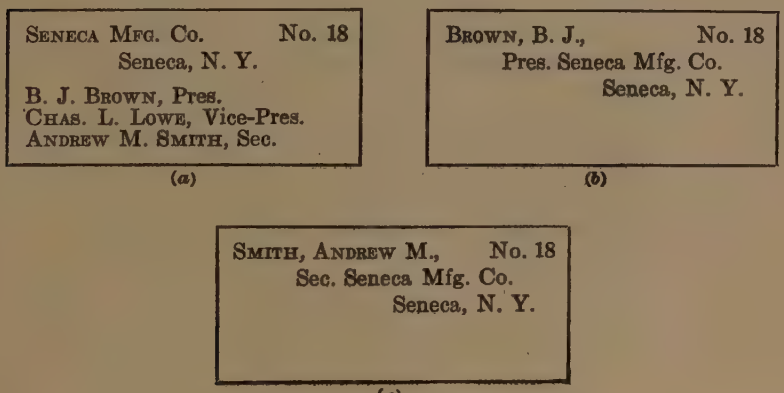

Fig. 49

same number as the ledger account, so that one card file will be an index to the ledger account as well as to the folder file.

The card index of a numerical system frequently has cross-indexes, like those shown in Fig. 49 (*a*), (*b*), and (*c*); these show from whom all correspondence for the company may be expected and aid in identifying the various addresses and thus in keeping together all data relating to any one account. A card would also appear in the file bearing the vice-president's name and the number 18, if he carried on any of the correspondence of his company. By such a system, all correspondence from the Seneca Manufacturing Company would be marked 18 plainly across the face, and copies of all letters to that company would have the number 18 written on them in some conspicuous place. The numerical sys-

tem has, however, been abandoned in favor of the alphabetical arrangement of folders bearing names, except by a few concerns that find numerical arrangement particularly well adapted to their needs.

Vertical-File Tickler System

A convenient method of keeping track of all pending matters is by using a vertical-file tickler. This consists of two parts: One is an alphabetical file in which are placed the various pending batches of correspondence; there is a set of guides numbered from 1 to 31, and a set of monthly guides, January to December. After it has received attention, the batch of correspondence is filed in the alphabetical section, while an extra copy of the letter, preferably on paper of a different color from the usual file

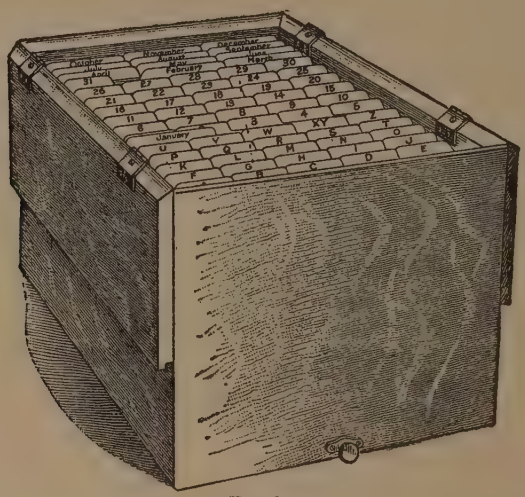

Fig. 50

copy, is placed behind the guide that represents the day on which it is intended to write again, if no answer is received from the one addressed. For example, the correspondent may write on the 10th and plan to write again on the 20th if no reply has been received at that time. The correspondence is filed in regular form in the alphabetical index, while the extra copy, sometimes called the *tickler copy,* is filed at guide 20. On the 20th of the month the correspondent will give attention to all memoranda behind guide 20. If, however, in the meantime a reply has been received, the entire correspondence is readily found in the alphabetical section; in this case, the tickler copy, no longer being of

use as a reminder, may be destroyed. If no reply is received, the correspondent may give attention on the 20th and file the tickler copy behind another future date. The monthly guides provide a means of filing tickler copies or other memoranda to be attended to in future months. For example, a customer may write in January that he will certainly pay in March, hence it is essential that his correspondence shall be brought to attention in March.

Another way of arranging the tickler is to have all guides of the main section alphabetical and put numbered metal clips on top of the folders to indicate the day on which the correspondence must again be given attention. This plan does away with the necessity of having a separate section for the tickler copy, for the metal clips perform the reminding service. If provided with a set of guides, a deep drawer in the desk will make a fairly satisfactory tickler file; but a file like that shown in Fig. 50 has the advantage that it will always be in sight.

Collecting by Means of Personal Calls

The man in charge of all collection work should be of good caliber. His first duty is to get the money due his employers; his next duty is to retain the customer's good-will, if that is possible. The good collector must be businesslike and resourceful, and while he commands respect he must be courteous and diplomatic. He must be as capable of being severe as of being kind, as ready to grant a definite extension graciously, when necessary, as to hang on sternly and persistently when that policy must be adopted. He deals with people of various temperaments and notions and what would be the proper attitude in one case will be altogether wrong in another. The collector must, therefore, be a keen student of human nature. He should have good self-control, judge accurately, and act quickly. He should always show his confidence in the customers, so as to make the strongest appeals to their sense of honor. While maintaining his dignity, so as to command the proper respect for himself and his house, he should be genuinely cordial. The man whose presence radiates optimism and good cheer is more likely to get the money than the cold, sour-faced individual.

When a man starts out in collecting work he may not possess all these qualities but he should at once try to cultivate those he lacks. The good collector should have at least a fair knowledge of accounting, banking, and business law and customs. If he lacks this knowledge, he is likely to make such mistakes as taking a check made payable to a customer but not indorsed by him.

Principles of Personal Collecting

Promptness.—Promptness in collecting is of great importance. Calling for payments promptly when they are due will make customers recognize the fact that a firm always wants its money the day it is due, and this means much. When a customer says that he will pay on the 10th, the good collector will let nothing interfere with his getting around to see that customer on the 10th, for if he does not, the customer will have a good excuse for using the money in some other way. It is a sound principle that the longer the collector delays in getting payment, the greater chance there is for things to happen that will prevent the debtor from paying. If the debtor is honest, he will endeavor to pay at the time agreed on; if he does not meet the account at maturity, the account will then run into other accounts and affairs, and delinquency will be much more likely. One concern that sells largely on the instalment plan states that, as a rule, the man who skips one payment will skip three; hence it is highly important to keep an account from going delinquent a single day. With a good office system to keep his accounts before him constantly, the collector should be almost as systematic in his work as a piece of fine machinery.

It is the best practice to send out statements on the first of every month, or oftener if the needs of the business require; these give the customer a reminder of the condition of his account. These statements should go out, whether payment is due on the account or not. Those who are accustomed to receiving such statements understand that they are not sent as demands for payments ahead of the credit period agreed on or the period commonly granted. However, to be on the safe side and to be sure of giving no offense to those who may not understand, some concerns print on the statement sheet an explanation that the statement is sent merely in accordance with the practice of the house and is not a demand for immediate payment unless the account is due. Another printed explanation that serves a useful purpose is that one which requests the customer to inform the house at once if the statement is not correct as given. By this method a man who buys goods in the middle of May from a house that extends thirty days' credit will get a statement on June 1 that is a good reminder of the payment due on the middle of the month. The reminder is made still more effective if there are data on the statement showing when the cash-discount period expires, if it has not already expired, and when the usual credit period expires. Statements secure payment from a certain class

of debtors, and it is often sufficient merely to write or stamp on a second statement some such admonition as "This account is now overdue; please give it your prompt attention."

Knowledge of Customers.—Judicious action depends on a full knowledge of the customer. When the customer is a new one, the collector should avail himself of all information on file in the credit department, besides taking advantage of any other sources of information that may be available.

Tact.—The collector has as great a need for tact as any business man. An example of the lack of tact is afforded by the case of the collector who walked up to a customer when he was talking with another man, presented a bill and said, "I want the money on that." Such action may be necessary in extreme cases, but in this case it was inadvisable. The customer became very angry and declared that he would stand suit before he would pay the bill. It would have been very easy for the collector to have waited a minute or to have called the customer aside. The tactful man will be careful to keep to himself the knowledge that he has of a customer's financial standing, unless, for mutual benefit, he confers with some one else interested in the customer. When he writes a note he will be careful to have it businesslike, but diplomatic. A note like the following may be justified on rare occasions, but it is cold and harsh for a debtor who has not given much trouble:

DEAR SIRS—I shall be around on the 30th, and shall expect you to pay up in full on that date, as promised. Yours truly,

The following shows a much better spirit:

DEAR MR. BROWN.—As you know, we are glad to favor you by extending time of the settlement of your account until the 15th. This is just a little reminder that I shall be around on the 15th to receive the money you are going to have ready that day. I trust that things have been going well since I was last in the store.

Yours truly,

Since the collector will aim to call at the time he is most likely to get the money, he will avoid such hours and occasions as are likely to exasperate a customer.

Firmness.—The argument for the use of tact, however, should not be construed as an argument for an apologetic, hesitating attitude. Many collectors fail to get money merely because they do not approach the customers in a confident, businesslike manner. When he contracted the debt, the customer understood that he would be expected to pay, so there is no reason for an apologetic approach; every successful collector will acknowledge that one of the secrets of his success is the confident

way in which he goes at his errand. He does not beat around the bush, but presents the bill and says something like, "$10, please," or merely hands the bill to the proper person without comment but with a pleasant, confident air. Other collectors adopt little expedients such as going with a signed receipt ready, or taking out a pen to sign the receipt before the customer has a chance to plead an excuse for delay.

A great deal depends on what happens during the first few seconds after the collector and the customer meet. If the collector is skilful, gets the move, as it were, the money will often come without objection. While the collector can work in the pleasant word, he should not do this beforehand, for the delay will merely give the slow-paying customer chance to think up excuses for delay in many cases. The collector who takes the attitude of "Can't you let me have this amount today?" or "How does this strike you today?" merely opens the way for being turned away without the money.

When a customer can be safely trusted it is not always advisable to question him as to the reason why he cannot pay. But there are many to whom the collector should, on refusal, courteously put such questions as "Didn't you expect to pay today, Mr. Blank?" When the reason for postponement is good, the collector can act with discretion, but by reminding the customer that it is his duty to meet the payments regularly some future trouble will be eliminated.

It is very important that a definite promise to pay on a certain day be obtained from the customer, for when he commits himself, if he is a man of any principle, the collector has a much better chance of obtaining the money than where the matter is postponed indefinitely. With chronically slow payers and deceivers, it is often necessary to say, "No, Mr. M., my firm expects me to make this collection today; it is due and you must let us have our money."

Instalment-payment collectors often adopt the plan, when they must miss a collection, of telling the debtor that he will be excused this time if he will make two payments the next time. Other collectors adopt, with good results, the plan of asking for part payment: "Well, let me have $250 and make your plans to pay the balance in 30 days."

To a slow debtor who declared that he could not make a 30-day settlement because his debtors would not pay him in 30 days, a collector said: "Then you are doing your business an injustice. If you would tell your people, as I am telling you, that they must settle promptly, you would save yourself worry.

Thirty days is all the credit we figure on giving, and if we wait beyond that we would be simply lending you our capital to do business with." There are occasions when the collector must come right out with a frank statement like: "This is the last time I can call, Mr. C. We want your trade and we don't want to be harsh, but this account has already run far beyond our limits and you must pay today or we shall have to put the matter in the hands of a lawyer at once. We do not want to do that if we can avoid it, so you had better find the money right now and fix the matter up."

Persistence.—The good collector must necessarily be a man of persistence, for he has accounts to collect that can be turned into money only by zealously keeping after the debtors. Persistence is needed not only in calls but in getting into what is the cause of inability to pay. One who disappoints a collector time and again has no reason to be affronted if the collector insists on a reason for the delay and a definite promise as to when payment will be made. A collector may go at the subject in this way: "My firm expects me to collect this money, Mr. Brown, and if you are positively unable to pay today, I must be able to explain why you have not paid and when you will do so."

Much judgment is needed in knowing when to be persistent and when to be lenient. Often it is the proper thing to say, "That is all right, Mr. D.; I will be up this way again Saturday and you can let me have the money then." Although statistics show that only a small proportion of the men that fail are dishonest, the collector should not count surely on a man's paying just because he is honest. An account lost because of incompetence is just as big a loss as one lost through fraudulent intent.

Collecting by Correspondence

In correspondence collecting, as in personal collecting, one must know the man before being able to address him properly. Debt is a subject that must be handled delicately; often the humble tradesman, figuring how he can meet all bills that are due, becomes offended at a harsh or hasty demand for money and turns his patronage elsewhere. The collector who calls can smile and show his friendly feeling. The letter cannot smile and is likely to be cold and offensive unless worded discreetly; consequently, care should be taken to incorporate a little good-will. Like the personal solicitor, the correspondent should remember that while his first duty is to get the money due, the next is to hold the customer's good-will.

The correspondent who has charge of the work of collecting

dilatory and delinquent accounts has a highly important work. He has need for as much tact and judgment as the correspondent who adjusts complaints; for there is a time to be severe and a time not to be severe. He must always try to make his letters suit each case, remembering that a well-worded letter that may strongly appeal to one man makes no appeal to another. There are exceptions to all rules. Few, if any, firms can force all customers to live up to an iron-clad rule regarding the time of payment, and retain them. In some lines of trade and in some localities, it is the custom to discount nearly all bills; in other places, tradesmen in excellent standing are accustomed to pay bills only at the end of sixty days. Therefore, a firm desiring to have all bills paid in thirty days must, if it does business over all the country, be tactful and allow its rule to stretch at times.

Showing Interest in Customers

Many firms hold to the policy of writing letters the day after accounts are due and making formal request for prompt payment. Some do not like to plead the need of money as an argument for payment, and perhaps it is not always a good plan; occasionally, any excuse for pressing payment weakens the demand; but in most lines of business it is better to incorporate some manifestation of interest that will take away from the dunning letter all the disagreeable effects, while retaining all the usefulness of its mission. A resourceful correspondent can always find a logical and pleasant way of pressing collections. He should, at any rate, try smooth methods before adopting blunt or harsh ones.

Plan of a New York Firm

One prominent New York firm sends out with each of its monthly statements a brief letter that requests the customer to inform the house at once in the event that there should be any error. If payment is not received within a reasonable time, a correspondent writes, suggesting that there has undoubtedly been some good reason for the delay, and urging if the delay has been caused by anything for which the house is responsible, that the customer will be kind enough to write immediately. A third letter is a little more insistent, though courteous; and the fourth takes up the matter from an ethical point of view, appeals to the customer's sense of fairness, his pride, etc. If none of these has the desired effect, an attorney in the employ of the company takes the case. It is worthy of note that a letter over the sig-

nature of an attorney is often all that is necessary with obstinate and indifferent debtors.

Use of Form Letters

Various series of form letters for the collecting of accounts are offered for sale from time to time, by writers who claim that wonderful results may be had by the using of the letters. These letters work well on certain classes of people, but slow payers are fairly well acquainted with collecting letters in series and are not moved by them. The unskilful letter writer may do well to purchase letters prepared by others, but the competent correspondent, while quick to get good ideas from any source he can, will compose his own series of letters and make them as individual as possible. Cut-and-dried forms are rarely as good as first-class letters composed to meet the special needs of one concern. Nevertheless, when hundreds of letters must be sent out it may be expedient to have certain forms printed in typewriter type and to use these for the general run of delinquents. Duns on postal cards are forbidden by the United States government; the method would be a poor one even if allowed.

Collecting by Correspondence

To illustrate the methods of collecting by correspondence, let it be supposed that Jones and Company, of Elmira, New York, retail grocers, owe $200 to Brown and Company, of Chicago, who require all accounts to be paid in 30 days. It is obvious that previous dealings, if there have been any, must govern the action in any given case. Suppose it is the first of the month and the account is already a day or two overdue, but Jones and Company usually pay their bills on the 10th; it is good policy to wait until the 10th is passed. If the 10th passes without a remittance from Jones and Company, if it is the first time the firm has let its account run overtime, Brown and Company should inquire of the salesman or send a "statement rendered." But if Jones and Company have only a fair standing, have several times been slow in paying, and the balance now due is larger than usual, it is important to take steps to secure payment and yet not endanger the trade of this firm.

If the first letter brings no response, and there still seems no reason for alarm, it may be well, after giving a reasonable length of time for attention to the first letter, to send a second.

Use of Drafts

If the second letter brings no response, a firm is certainly justified in drawing on a customer. If the customer refuses to

pay, or there seems danger of losing the account by failure, it is time to act quickly, and perhaps, to send a personal representative. Business men in small towns, however, often object seriously to drafts; therefore, drafting must be used with caution.

A customer should always be promptly notified when a draft is being made on him. It is sometimes a good plan to write: "Take notice that unless the account is settled by Saturday we shall have to draw on you." This notice can be made still stronger by suggesting that the banker has been instructed to turn over the account to a local attorney if the draft is not honored.

It is difficult to lay down rules, for what will hold good for one business and one class of debtors will not hold good for another; also, proper action must be determined largely by the circumstances of each case. Unless there is imminent danger of failure, every effort should be made to ascertain the cause of delay or refusal of payment before extreme measures are taken. Some tradesmen are notoriously slow in paying, and are not sensitive to hints. With such persons, firm and formal requests, drafts, and threats to take legal action may be used earlier than with others; but in all cases, the correspondence should be courteous.

Some concerns use a third letter, in which the hint is dropped that the writer feels a little uneasy about the debtor's business, his credit, etc., and trusts that he will at once report. If the case is one that arouses considerable suspicion, a blank is enclosed for a new statement of the condition of the business. When diplomatic measures have been exhausted, it is necessary at times to use paragraphs such as the following:

We insist that you respond immediately to our letter of the 5th regarding your account.

We will not have our inquiries ignored in the way that you are ignoring them.

Suggestive Paragraphs

The following paragraphs are selected from letters used in the collection departments of a wholesale concern and a publishing house selling on the instalment plan:

I shall esteem it a personal favor if you will write to me fully and frankly by return mail.

I trust you will not compel me to refer the matter to a local attorney for attention. Let me hear from you.

If we do not hear from you within 10 days, your contract will, in the regular order of things, pass over to our attorney, and I am really eager to avoid that.

Please write to me at once, using the enclosed envelope, so that your letter will come to my personal attention. With best regards, I am

As soon as your account is placed in good standing by at least one regular payment, I will send you one of three books described in the enclosed folder. When sending your payment, be sure to tell me which one of the books you want.

According to our rule, we shall have to draw on you next Thursday for the amount of your account due on the 10th. Can you send us your check before Thursday? We hope so.

Collecting Through Banks, Attorneys, and Agencies

The principal use of banks in collecting work is as an avenue for making drafts on debtors; the banker cannot be expected to do any aggressive following up of the debtor. The advantage of this method is that many concerns do not like to have banks entertain any doubts as to their credit and will honor drafts. At any rate, the draft is a sign that the creditor's patience is exhausted and that he means to collect.

Lawyers as Collectors

Though lawyers, taking them as a whole, are not noted for prompt and systematic methods in attending to collections, the reliable attorney makes an efficient collector. Many slow payers have only to see the lawyer's letterhead in order to be moved to pay up quickly; particularly is this true if a local lawyer is employed. The debtor may have postponed payment, feeling safe because the firm was in a distant city, but when the claim has been put in the hands of a businesslike lawyer in the home city, unless the debtor is a professional dead beat, or has absolutely no means with which to pay, results are likely to be had that warrant paying the attorney's fee. Attorneys collect on a percentage, but have a minimum fee of $2.50 or more.

It is a good general rule to notify debtors that an account will be placed in the hands of an attorney on a certain date if payment is not received; this warning is much more effective if an attorney in the debtor's home city is named. Any credit department can easily obtain a list of attorneys in all parts of the country who make a business of collecting accounts. When an account has been put in the hands of an attorney, it is, of course, businesslike to refer to him all communications that come from the debtor, and thus let him have complete control of the account. When an account has been placed in the hands of an attorney, the collection department should keep in touch with it by fre-

quent correspondence with the attorney; otherwise, he may lose sight of the matter.

Attorneys should be asked to return accounts promptly if, for any reason, they are unable to collect. It occasionally happens that the attorney has social, business, or blood ties with the debtor and is reluctant to press him. It may be added that an attorney thinks more of an account, as a rule, when it comes direct from the firm to whom the debtor owes the money, and where the attorney gets his entire fee, than where the account comes from a collecting agency and the attorney must divide his fee with the agency.

Collection Agencies

There are many agencies in the business of soliciting delinquent accounts and undertaking to collect them on a percentage basis. Some of these are reliable, but many are neither reliable nor efficient. At least one of the large mercantile agencies gives reliable collecting service of this kind. Those who feel that they should do business with a collection agency should be very careful to read every line of the terms that the agency makes. Some agencies make plausible claims, but simply browbeat the debtors until they get enough to pay their own commissions, having provided in their contract that their commissions should come out of the first money received, and then make no further efforts. Many business men have been exasperated to find how little service they receive from a collection agency after having entered into an agreement to pay a fixed percentage of all amounts that came in on the delinquent accounts whether as the result of the agency's work or not. An unsatisfactory feature of the collection agency is that the firm cannot control the methods used, while it can do this when the account is being handled by a bank or an attorney.

Private Collection Agency

Firms that have much collecting to do find it expedient sometimes either to have an attorney employed on a salary at the home office, who will take over the accounts at a certain stage and conduct the correspondence on his private letterhead, or to have stationery, statements, etc., bearing the title of a collection agency and to handle the accounts in collection-agency style after they have been delinquent a certain length of time. Some slow payers are shrewd enough to see that the collection agency is merely another desk in the creditor's office, while others are not so experienced and pay up promptly on receiving a firm letter on the collection-agency letterhead.

Part Payment on Outlawed Accounts

The courts in some states have held that the payment by a debtor of part of an account that is too old to be legally collected by process of law renews the obligation. Consequently, if a collector can get a debtor of this class to let him have goods, merchandise, or service that will serve as a credit on the old account, the obligation is renewed just as if the debtor made a cash payment on account.

Interest on Delayed Payment

When a debtor persistently goes beyond the 30-day period, or whatever other period the firm has fixed, the collection department has a right to ask interest for the extra time that the money has been held. It would be poor policy to insist on this in every case, but insisting on interest often cures the slow payer. The following letter has been used in calling attention to interest due:

GENTLEMEN.—We have just received check for $110 in payment of your bill due June 16th. We thank you.

You failed, however, to figure interest on the $110 from the date of maturity on the account to the date of payment. We granted you the further extension asked for, but as you have had the use of our money during that time, which has been of value to you and an expense to us, we are sure that you are more than willing to give us the interest you would have had to pay anyone else.

The interest amounts to $2.45. We should like to have you remit this at once, so that we may close the account.

Trusting that business is good with you, Cordially,

Cash Discounts

The manner in which cash discounts are handled has become a thorn in the flesh of many credit and collection men. Terms of "2 per cent. off for cash in 10 days," or similar offers, are premiums for the payment of money a certain time in advance, usually 20 days, that is, if the credit period is 30 days. In some lines, the cash discount is only 1 per cent.; in other lines it is as much as 5 per cent., but whether it is one figure or another does not alter the principle here discussed.

Theoretically, the cash-discount plan is an excellent one for many lines of business, for the concerns that are keen on profits take all the cash discounts they can get, and the fact that a firm takes discounts is a reliable guide for the credit department.

The plan is, however, grossly abused. A customer will overlook the discount period for 2 days, 5 days, 10 days, or a longer time after the period has expired, and then remit with the discount figured off. Sometimes an excuse is offered: "We over-

looked this for a few days and are sure that the little excess time amounts to nothing with you," "Our system does not permit of bills being approved and payment ordered within 10 days," etc. Often no excuse is offered, but the remitter insists arbitrarily on having the discounts even at the end of 30 days, which means, of course, that the creditor loses what is equivalent to 36 per cent. a year on the money. The delicate part of the situation is that these arbitrary concerns are often those whose trade is esteemed and concerns that the collection department hesitates to antagonize.

A credit association is endeavoring to help its members get around the difficulty by the use of a slip containing the following matter, which is sent to all concerns that take the cash discount when they are not entitled to it:

> Discount for cash is a premium for prompt payment within the time and upon the terms agreed on, and when not earned should not be claimed. Please add to your next remittance $.....
> Issued at the instance of the National Association of Credit Men.

A New Jersey firm, instead of offering 2 per cent. for payment in 10 days, writes: "Terms, net 30 days. A discount of one-tenth of 1 per cent. per day will be allowed for the actual number of days prepayment is made. This equals 2½ per cent. off for payment 5 days from date, 2 per cent. off for payment 10 days from date, 1½ per cent. off for payment 15 days from date, etc." This concern, after an experience of three years with the system, reports that it works well; certainly it has the merit of providing an equitable discount for the prepayment period.

Dealing With Defective Remittances

A credit man for a large shoe concern has the following methods of dealing with defective remittances:

"Occasionally defective remittances are received, and in some cases, evidently for the purpose of killing time, we get communications purporting to enclose checks but without the checks; and we now and then get checks made out wrongly, checks not signed, and checks or drafts to remitter's order but not indorsed.

"In such cases as the first, I draw a draft for the amount specified, pin the draft to the letter, deposit them in the regular account, and notify debtor why draft is made.

"In a case like the second one mentioned, I write on the back over our signature, 'Amount guaranteed,' mentioning the correct amount, attach the letter, and deposit in the bank.

"In the third case, I write over our signature, 'within amount guaranteed,' attach the letter, and deposit.

"In the fourth case, I examine the letter carefully and if it shows that the draft was indorsed to us for credit, I supply the indorsement by myself as agent and deposit the draft, retaining the customer's letter as my authority for doing so.

"I have had many defective remittances similar to those described, and with one single exception all have been paid, when treated as suggested, without a complaint having been made by any one. It may seem that the procedure recommended in the fourth case is dangerous, but I sought good counsel before adopting it and I do not hesitate to avail myself of the method. The immediate cause of my investigation of this plan was an occasion when I sent back a $700 draft for indorsement; it never came back, and when the end came we got 10 per cent. of our bill. That draft was good, it was clearly intended to be applied on our account, and inasmuch as we could have compelled payment by suit, there seems to be no good reason why we should not have supplied the indorsement, guaranteed same, and deposited the draft."

Tricks of the Trade

Experienced collectors, like other specialists have their little tricks of the trade. One collector, for example, for the sake of experiment, billed a number of slow payers for an amount twice as large as they owed. He got attention immediately, and some of them were much disturbed over the apparent error, though previously they had let the collector exhaust about all his resources without giving him any attention. In these cases, the collector apologized for the errors, made out proper bills, and was able to collect most of the accounts. However, a great many concerns probably would not want to adopt a plan of this kind.

Acknowledgment of Payments

Every business concern should adopt the policy of sending some sort of acknowledgment of the payment of bills. Even a card that contains a space to be filled in with the amount is better than no acknowledgement. When there is opportunity, don't forget the "Thank you" on the receipted bill. These little things do not seem to amount to much in the eyes of those who do them, but they serve to put the thoughtful firm a little higher up in the estimation of others.

CREDITS AND COLLECTIONS IN THE RETAIL BUSINESS

By PAUL H. NYSTROM, Ph.M., Ph.D.

Proportion of Business Done on Credit

A large part of all goods passing from retailers to consumers is sold on credit. The proportions of goods sold on credit depend upon their kinds. In some lines such as furniture, the amount of goods sold on time runs very high, but 5-cent and 10-cent goods are entirely sold for cash.

A recent survey compiled by the U. S. Bureau of Foreign and Domestic Commerce* in cooperation with the National Retail Credit Association, presents a great deal of information as to the status of retail credit sales in the United States that has never been available before. This survey summarized information received from a total of 6,832 retail stores, with sales exceeding $2,500,000,000 for the year 1927.

In this survey, it was found that the proportions of credit sales ran very high in such retail lines as plumbing and heating fixtures and supplies, lumber and building materials, stoves and ranges, furniture, electrical appliances, and musical instruments. In all of these lines retail sales for cash averaged less than 20 per cent. of the total. On the other hand, the proportions of cash sales were found to be very high in such retail lines as boots and shoes, drugs, bakery products, and general clothing. In all of these, the proportions of sales for cash exceeded 75 per cent. of the total.

In the grocery business it was found that about half of the trade was on a cash basis and half on credit. Other lines approximating half cash and half credit included women's, children's and infants' wear, auto accessories, optical goods, dry-goods, men's and boys' clothing, radio sets and supplies. In department stores it was found that nearly two-thirds of the sales were for cash. Of the remaining amounts from 5 per cent. to 6 per cent. were in instalment sales and approximately 30 per cent. on ordinary charge accounts.

*National Retail Credit Survey, Domestic Commerce Series No. 33, Washington, 1930.

Chain Stores and Credit Business

Chain stores generally have a higher percentage of cash business than do independently owned retail stores handling similar goods. Many of the largest chain store systems, particularly in the 5- and 10-cent and general merchandise fields, are, to be sure, on an almost absolutely cash basis. There are, however, many chains in such merchandise lines as women's and children's apparel, men's and boys' clothing, automobiles and accessories, furniture and house furnishings, radio sets and supplies, musical instruments, jewelry and optical goods, in which chain-store systems sell largely for credit or on an instalment basis. In these chains the proportions of charge account and instalment business may, and often do, run higher than in similar independent stores.

It may be safely assumed that not less than half of the entire retail business of the country is transacted on a credit basis of which perhaps 10 per cent. or 12 per cent. of the total retail trade consists of instalment credits and the remaining 40 per cent. or more of regular charge accounts.

Changes in Retail Credit Practices

There has been an interesting evolution of the retail credit business in this country. In the early days of nearly every American community, a very large part of all retail sales were on credit. In agricultural regions such retail credit was an absolute necessity. There was not enough surplus capital to provide the requirements for opening up new farms, stocking and equipping them and at the same time finance the purchases of articles of every-day consumption before and between harvest seasons. The practice generally followed was to grant credits for all sorts of supplies needed throughout the year. These bills were then regularly paid up at the time of marketing the crops. Under this system in the beginning, retail credits usually ran a full year, and such credits were the rule in most American agricultural communities. Gradually, as farming became more diversified and as farmers became less dependent upon a single yearly crop, such as wheat or cotton, there grew up the practice of settling accounts semiannually. There are, however, still agricultural areas in the United States, particularly those that are largely dependent upon a single crop such as cotton, in which retail credits run a year. There are many regions in which the practice of two settlements a year still prevail.

Shorter Terms of Credit

In industrial communities, where employees are paid wages and salaries on a weekly, biweekly or monthly basis, there is no reason for long credits such as prevails in agricultural regions. Consequently, in such communities monthly credit became the rule. During the past thirty years, industrial communities have grown more rapidly than agricultural areas. A great many more people receive wages and salaries at regular times than the number who must wait six months or a year for the proceeds of crops. As a result, the practice of selling on monthly rather than on semiannual or annual credit has likewise grown.

During recent years retailers have quite generally urged their customers towards the habit of monthly settlements. Through practice and education there has developed a widespread habit of monthly settlement of accounts.

Long-Term or Instalment Credits

During these years in which long-term credits were gradually changed to monthly settlements, there were always, to be sure, some long-term credits on certain classes of goods. It has never been possible to secure a large sales volume on terms of settlement within a single month on such goods of high unit values as furniture, home furnishings, musical instruments and other expensive equipment for home and farm. A large proportion of sales of these goods has always been on fairly long-term credit. Most of such goods have been paid for by consumers on a partial payment or instalment plan. Within the last ten years, long credits have received a tremendous additional impetus by the popularization of instalment selling on many new lines of goods, such as automobiles, radios, heating fixtures, electrical appliances and high priced apparel and accessories. This recent expansion of long-term credits has been viewed with deep regret by many retailers and retail credit managers who have valiantly and laboriously struggled for years to train their customers to make monthly settlements. They have been inclined to look upon this rapid growth of instalment sales with deep dismay. Instalment selling has seemed to them to be a retrogressive step in the stabilization of retail credits.

Increased Proportion of Cash Sales

During this period that we have just considered, in which retail credits have gradually been shortened from annual and semiannual settlement periods to a monthly basis, there has been

a similar evolution and increase in the proportion of retail sales for cash. There are no authoritative figures available on the percentage of retail sales for cash and for credit. Only rough estimates can be made. The National Retail Credit Survey previously referred to throws some light on the present situation, but the only guides as to changes are the impressions of men who have had close contact with the retail business and whose memories go back several years. Imperfect as such evidence may be, it seems quite clear that the proportion of cash sales to total sales as far back as 30 years ago, was much smaller than at present. According to all reports available, a larger proportion of all classes of goods were bought for credit in 1900 than in 1930. The chain stores, particularly those that were established prior to 1900 and in the years immediately following, generally adopted the policy of selling for cash only. There were independent stores at that period which likewise sold for cash only, but such institutions were exceptional rather than common. The chain stores found people very generally interested and ready to buy many kinds of goods for cash. Consequently chain store business on a cash basis has grown very rapidly.

The example of the marked success of the chains in the cash sales field prompted imitation by many independent retail stores, but it seems safe to say that the chain stores have profited most from this policy. There are now indications that the cash retail business is not progressing as rapidly as it formerly did. In fact, in many communities, it is probable that this development has reached its peak. Whatever may be in store for cash and charge account retail selling in the future, it is obvious that even the chains selling for cash are now confronted with a high degree of sales resistance. They have in many instances modified their policies to some extent so as to permit expansion on a part cash and part credit basis.

Desirability of Charge Customers

The gradual trend of increasing proportions of cash business and declining credit business which has been going on for years has now also been checked somewhat by the increase in instalment selling that has already been noted, and also by a revival of retail sales promotion urging retail credit on consumers. Department stores and apparel concerns have been particularly aggressive during the past two or three years, in striving for increased volume through an expansion of credit selling.

In view of the growth of instalment selling since 1921 and the recent drive for charge customers, it seems probable that the

proportions of credit business which had gradually declined in relation to cash business for many years has now probably started a movement in the opposite direction. It is probable that there is a higher proportion of credit business today, both of the regular charge-account and instalment types, than there was in the years immediately following the World War. The retail credit business is deeply established in the business customs of the country. The retail sales volume obtained on a cash basis is very important, but it does not at present show indications of wide possible extension beyond its present application.

Retail credit occupies an important place in the retail business structure of the country for the reason that it serves important economic needs, such as the convenience enjoyed by customers in making regular periodical settlements corresponding in times with the receipt of wages or other incomes. There is also an economy in time and effort in making settlements at stated times, rather than at the times of purchases of individual items. Purchases of durable goods on credit such as furniture, home furnishings, musical instruments, automobiles, electrical appliances, sewing machines, and so forth, make it possible to enjoy them while paying for them, rather than having to wait until enough ready money has been collected to pay for them.

From the standpoint of the retail business, charge-account customers are usually a more stable and dependable part of the store's clientele than are customers who buy for cash and who are likely to buy from day to day in the retail stores which seem to offer the best bargains. A store with a big file of active, prompt-paying charge customers has a good will that adds materially to the market value of the establishment as a going concern. There is, of course, good will for a cash store, but it is more difficult to demonstrate what it is and what it is worth. There are also valuable by-products secured by the store selling for credit, such as the advertising value of the mailing list of regular customers who may be counted on to respond to the store's publicity and sales promotion.

Disadvantages of Credit Business

There are, to be sure, certain disadvantages in the credit business. From the standpoint of the consumer, credit if too freely or carelessly given, constitutes a temptation to careless buying or over-buying with resulting embarrassment and difficulty in making settlements later. From the standpoint of the business granting credit, keeping accounts and making collections involves an undoubted increase in the expenses of operation. The

extension of credit calls for more capital than would be required in an all-cash business. The credit store has its capital invested not only in the merchandise stocks on hand but also in the unpaid accounts of its customers. There is always the risk of loss of payments, either through the inability of customers to meet their obligations or through dishonesty. It is also true that while charge-account customers may constitute a more stable and dependable trade than cash customers, it has also been found that the charge-account customer expects and receives more service from the store than does the cash customer. Most retail stores now permit their customers to return any goods bought which may not be entirely satisfactory. Charge-account customers, it has been found, are responsible for a very large part of such returns, in fact many times the returns that come from cash customers. The problem of returned goods has assumed threatening proportions in present-day retail trade. It not only results in deterioration in value of the merchandise bought and returned, but also increases expenses of selling, of delivery, of packing materials, and of accounting. The problem of returned goods has evidently been emphasized by charge-account business. Any attempts at the solution of this problem are likely to affect not only the policy of returns but also of credit granting as well.

Despite the evils associated with the credit business, which most retailers freely grant, the necessity of retail credit as a means of maintaining present-day sales, particularly in the face of competition, makes it necessary to consider credit as an important essential of present-day retailing. Retail credit is now used as a means of sales promotion. It is not offered merely as an accommodation but more as a means of securing and holding added business. The credit department of many stores is now really a part of its selling organization.

Effect of Change in Credit Policies

A very important point for retailers considering changes in their policies affecting the granting of retail credits is what effect such changes will have on the net profits of the concern. Will such changes, if made, increase sales? Will the increase in sales cover the expenses of the change? Credit granting costs something, and the gains in sales that may be derived from conducting a credit business or from expanding such a business are always accompanied by the expenses peculiar to this business. Many retailers who have changed from selling for cash to selling for credit have been unpleasantly surprised to find large increases in their expenses of doing business.

Very few retail stores having both a cash and credit business segregate their expenses so as to show precisely what each type of business costs. Yet there is a difference and the knowledge of this fact is important. Changes made in store credit policies without due regard to these differences in expenses have often put stores in a disadvantageous profit position. Retail institutions enjoying a fair amount of mixed cash and credit business in an effort to secure an increase in volume through an extension of credit, have often suffered increases in expenses so high as to wipe out the net profits of the business. Yet, when properly conducted, there is much money made in retail credit businesses.

Comparative Cost of Credit Selling and Cash Selling

There is a lack of available authoritative information upon the costs of credit selling as compared with selling for cash. We may be sure, however, that in retail concerns of the same kind, dealing in the same kinds of goods of similar qualities and prices, and with similar classes of customers, the credit business costs more per dollar of sales than a business on a strictly cash basis. There is an increased cost for record-keeping, for issuing statements, for making collections, and for bad debts. There is a loss of capital and interest on goods sold but still unpaid. If one may judge from the difference in expenses between retail stores selling for cash entirely and stores having largely a charge business, otherwise selling the same goods and having similar conditions of custom and competition, the difference in expenses amounts to from 2 per cent. to 5 per cent. of sales. The average may not be far from 3 per cent. or 1½ per cent. in favor of the cash business. The variations in these figures are due in part to differences in types of business, in kinds of commodities handled, in classes of customers served, and so on. Differences in managing ability must constitute an important factor. But it is safe to assume that a store formerly doing a cash business or a combination of cash and credit, encounters an increase in its expenses directly chargeable to the credit business of not less than from 2 per cent. to 5 per cent. of those credit sales.

Length of Term of Retail Credits

One of the principal points of controversy in the credit departments of retail businesses, as well as among credit men in their associations, is on how long retail accounts should be allowed to run. We have already discussed the general trends. Here we are interested in practical ways of checking the costs due to long-standing accounts. One method frequently suggested to

cut the expence connected with accounts that run longer than the normal periods, whether weekly, monthly, or semiannually, is the proposal to charge the customer interest on all accounts overdue from the time that they become overdue until they are paid. This method is actually practiced by some retail stores. Reports indicate that this plan is fairly successful in its operation. There is, to be sure, sound reason for its adoption, but business custom is against it and the competition of other retail institutions may be feared. Customers who are not in the habit of having to pay interest on their overdue accounts are likely to object strenuously to these assessments. Other retail institutions may seize upon the adoption by their competitors of a policy such as this, as a time for inviting the dissatisfied accounts from other stores to themselves.

To secure success from the plan of charging interest on overdue accounts requires some agreement to that effect among the retailers of a community and tactful presentation of the change in policy to the customers of the store to insure that they may see and understand the reasons for that change. Customers who ordinarily pay their accounts promptly at the times when they are due may be counted upon as favoring the adoption of the policy. The store may make the point in its publicity to its customers that accounts long outstanding add to the expenses of doing business, which in turn keep the retail prices of its goods higher than would be the case, were these unnecessary expenses eliminated.

Collection Expenses and Credit Losses

Collection expenses and credit losses are inevitable in a retail credit business. But retail credit practices of the present, particularly in the older institutions where there has been the time and opportunity to develop sound methods, have been reduced almost to a science, and these expenses, while they cannot be entirely eliminated, are probably close to their minima. Collection expenses and bad-debt losses invariably run highest in new retail stores and particularly in the smaller stores. Department stores having well established credit departments suffer losses from bad debts that average not more than 0.1 per cent. of total sales or, say, 0.4 per cent. of total credit sales, while small retailers with sales volumes under $25,000 a year have credit losses of 2, 3, or 4 per cent. or even higher percentages of sales. Such losses completely wipe out the profit-making possibilities of these businesses.

In presenting these figures on small stores, it is not intended

that they should be accepted as inevitable results in smaller institutions. They are merely representative of lack of knowledge and ability in the use of proper methods of granting credits and making collections. There are many small retail stores in which expenses and losses of credit selling are just as low as in the large institutions.

Essentials of Good Credit Practice

Let us see what the essentials of good credit practice are. In the first place, modern, up-to-date stores make it as easy as possible for new customers to open new accounts. The competition for business among retailers is now so strong that nothing may be overlooked to increase and to keep the number of active accounts. The first essential of successful credit management is that the extension of credit should be made simple and easy for the customer, but there must follow a careful and complete check-up of all necessary information and, most important of all, there must be thoroughly businesslike methods of collection and unwearied follow-up to induce payments. Easy credits but stringent collections constitutes the essence of the rule.

Procedure in Granting Credit

Approved credit procedure in retail stores now involves the making out of an application by the person seeking credit. In this application the person seeking credit answers questions such as, present and former addresses, occupation, sources of income, property owned, references, retail stores formerly patronized, members of family and their names, bank, if any, at which account is carried, and so on. See Form A.

At the time the application is filled out, the credit manager or other member of the store organization serving in that capacity, has the opportunity to size up the prospect and form at least tentative opinions as to the probable character of the applicant.

Usually, following this interview, if the customer wishes to make immediate purchases and if these purchases do not run into large sums of money, the privilege is extended at once. As a matter of fact, probably more than one-third of all of those who apply for credit or seek to open accounts are passed for credit on the first interview. Probably not more than one application out of twenty is actually ever refused either at the time of the interview or later.

The second step following the interview and the making out of an application is the private check-up, first, of the accuracy of the information presented in the application blank, and, second, of

FORM A

Application for Credit

No..... New York, N. Y.,.....193...

.....Retail Store

You will please allow credit until otherwise notified in writing to myself and family. Goods purchased to be regarded as necessaries and to be paid for out of my separate estate. Bills to be rendered monthly. As a basis for my credit the following statement is made:

Name.....Wife's Name.....

Nearest Relative (If unmarried or a minor).....

Occupation.....

Residence..... Occupation of Wife.....

Business Address.....Wife's Business Address.....

I own the following Real Estate.....

.....

Located at .....

Housekeeping or Rooming with.....

Home Phone.....Business Phone.....

Previous Address .....

Concerns with which accounts previously carried.....

.....

References .....

.....

Name and Address of Bank.....Checking Account.....Savings.....

Signed.....

Report of Retail Credit Bureau.....Limit.....Approved.....

.....

addition information helpful to the retail store management in establishing the credit resources of the applicant. Letters are sent to the references named. Retailers with whom the applicant formerly traded are asked to report upon their experience, and the bank, if one is named, is asked for its opinion.

Information from Retail Credit Bureaus

In many cities there is an additional source of helpful information available in checking up applicants for retail credit in the form of a central retail credit bureau. Such organizations are usually cooperative in operation. Retail store members report the names of all of their charge customers periodically and indicate after each what their experience has been as to settlement of accounts. These reports are carefully compiled and maintained in a confidential file not open to any one but the credit bureau employees. When a retailer desires information about a new credit applicant, he calls up the credit bureau, gives the name and address and perhaps the names of retailers with whom the applicant formerly traded, and receives in reply a statement indicating whether the applicant is in good standing among the retailers of the city or whether there have been experiences of a bad character.

In doubtful cases the retail store may go to further pains such as securing information through representatives sent out to get precise facts as to the applicant's character, financial standing, and habits of meeting obligations.

Persons Who Are Bad Credit Risks

Out of the careful analysis of long experience in credit practice there are certain types of persons who constitute risks too great for most retail stores to undertake. Among these are the following:

An individual laborer who has only 100 days' work a year.
A professional man without an income, depending on chance business.
A person who does not respect the property rights of others.
A person who takes no care for tomorrow.
A person who cannot hold a job or position on account of watching the clock.
Married people living beyond their means.
The shiftless young man without a bank account.
A person who has broken promises.
A professional dignity man, who tries to use dignity as an asset when asked to pay, or for references.

Minors without a written order.

Irresponsible heads of households who are feeding working sons and daughters who do not pay for their food.

People who are already loaded up on instalments.

A man who is not willing to tell you of his financial condition and his ability to pay, to give you a chance to prove his statement.

Store Credit Records

Most retail stores having a large credit business use standard forms. In addition to the application blank, already referred to, there is usually a Pending Credit Form which summarizes the information of the application blank, indicates what other information is desired, and the record of letters and follow-up prior to final disposition of the application.

When the information about an applicant is considered complete, the accounting department of the store is notified or authorized to open a regular ledger account. Usually an amount is also set up as the limit of credit to be permitted at any time. This is known as the customer's credit limit. Thereafter, unless new information is obtained of such a character as to arouse suspicion, the store treats the applicant as a regular charge account customer.

Management of Credits

While the process of obtaining credit is made as simple as possible, modern credit departments do not overlook the importance of making a businesslike impression on the applicant at the time the application is made out. Every precaution is taken to place the applicant at ease and to make the inquiries for information as pleasantly and as painlessly as possible. In some cases, the credit man, or other representative of the store, fills in the application form as the applicant gives the information. In others, the applicant is required to make out the form himself or herself, but invariably the applicant is required to sign the application form when completed.

In small retail establishments, the duties of credit management must of necessity rest on the owner or manager. He must be his own credit manager. There are important elements of advantage in this practice, since it gives to the head of the store a first-hand acquaintance with each person added to the store's list of customers. It provides a point of contact which is often of as great interest to the customer as it is to the store manager. It presents the opportunity to the store manager to impress upon

the applicant the desire of the store to be of service and to enter upon mutually satisfactory relations. In larger retail establishments where there is not time nor opportunity for the owner to serve as credit manager, a credit department is created and a credit manager appointed to act for the store. In medium-size stores the credit manager is often the head of the accounting department. In the larger stores, the credit department is conducted by a manager who may be entirely separate from the accounting department, though working in close cooperation with it.

Qualifications of a Credit Man

The qualifications of successful credit managership may be readily stated. The credit manager needs to be a kindly, friendly appearing person of the type that most people naturally respect and can talk to easily. Unlike most other positions in a retail store, maturity is a desirable quality. Keen powers of observation are required which will take in such points about the applicant as dress, manners, and peculiarities, if any, which reveal the character, mode of life, and so on which in him affect the habit of prompt payment of bills. The credit manager needs besides the pleasant personal expression, a level mind which will enable him to discount the overenthusiastic applicant on the one hand and to give proper valuation to the overmodest applicant on the other. The most important qualification in the modern retail credit manager is a pleasing personality which will help to cement a new customer to the store but at the same time secure complete information upon every point which may have a bearing on the customer's future payment of bills.

RETAIL INSTALMENT SELLING

Instalment selling, which has enjoyed an enormous growth since 1920, is actually an old method of selling. It has been used in the sale of certain commodities such as home furnishings, sewing machines, musical instruments, books, and agricultural implements ever since these commodities were first placed upon the market. Real estate has almost invariably been sold on the instalment plan. Life insurance has been and is now likewise paid for in periodical instalments. In the eras of long credits, discussed in the previous section, it was not uncommon to have settlements made in partial payments. This method of doing business, however, received no special encouragement. Partial payments, or instalment payments, were generally looked upon as makeshifts for full settlements.

In recent years, particularly with the general distribution and sale of automobiles on the instalment plan, instalment selling which formerly was confined largely to such commodities as were named in the first paragraph, has come into much wider use. In a study recently made, it was found that out of a total of more than one hundred different kinds of retail businesses, instalment selling appeared as a method of selling to some extent in more than 80 per cent. of all of these trades.

It was estimated that in the 5 years ending in 1925 instalment sales had more than doubled. Instalment selling has grown considerably since 1925, but it is not believed that its rate of growth, particularly since 1927, has been as rapid as before. Since 1927, it is probable that instalment selling has progressed only at about the same rate of increase as that which has taken place in total retail trade.

Current estimates indicate that the total volume of instalment selling through all types of retail institutions, including automobile sales, now amounts to about $8,000,000,000 a year. This enormous volume is probably about one-seventh or even one-sixth of the entire retail trade of the country.

The most important single line of business using instalment selling extensively is the automobile business. Probably 75 per cent. of all sales of cars are subject to instalment payments. But it is estimated, however, that at least 50 per cent. of all sales of musical instruments, sewing machines, radios, and electrical refrigerators are also on the instalment plan and that at least 65 per cent. of the sales of vacuum cleaners and 75 per cent. of the sales of washing machines employ this method.

Social and Economic Effects of Instalment Selling

During recent years, in which instalment selling has grown so rapidly, there has been very keen discussion as to its social and economic effects upon the nation. Instalment selling has been both highly praised and loudly condemned. There have been several studies made with a view to determine the actual effects, some by banking institutions; others by economic and business departments in the universities, others by industrial institutions, and still others by public or quasi-public bodies. One of the most comprehensive studies of the subject was conducted in 1927 by Professor E. R. A. Seligman, whose report appeared in two volumes entitled, Economics of Instalment Selling, a Study in Consumer Credits.*

*Published by Harper & Bro., New York, 1927.

There were considerable variations in the conclusions of the various studies made on this subject, but, in general, there seems to be a wide agreement that wherever the system of instalment selling has been wisely and properly promoted and administered, there is very little to indicate that it has been harmful. There is much evidence to indicate that it served a very useful purpose to American business back in 1921 and the years following, in renewing and increasing trade and keeping up employment, and that it has proved an important factor in raising the current physical or material standards of living for large numbers of people thoughout the country.

Arguments in Favor of Instalment Selling

Among the arguments for instalment selling the following points are most frequently advanced:

1. It is urged that instalment selling develops the tendency to save. It encourages thrift by systematizing the savings of consumers to meet coming payments. The habits of saving, so it is claimed, are carried on even after the instalment payments are completed.

During the period in which instalment selling developed most rapidly, 1921-1927, all indices of savings, such as savings bank deposits, purchases of stocks and bonds by small owners, and life insurance sales, all showed continued and rapid growth. Illustrations of bad judgment and bad management in individual cases have been found. Instalment selling is not a cure for thriftlessness or foolish business practice. But there is little to indicate that there has been any check or change in the fundamental thrift trends of the population as a result of the introduction and extension of instalment selling.

2. Instalment selling makes more immediate consumption and satisfaction possible. Customers are enabled to enjoy products while paying for them. Automobile sales organizations have pointed out that paying for a car on the instalment basis is really paying for it on a service basis, or mileage basis. This, it is claimed, is the same in principle as buying and paying for 5 gallons of gasoline at a time, instead of buying enough gasoline at one time to serve for several seasons.

3. Instalment selling, it is urged, encourages the purchase of goods of higher quality and better value. Without this method of paying for their goods, many people would have to content themselves with inferior goods. The possession of better qualities of goods results in better satisfaction, longer use, and economies in the end. The use of better qualities makes a higher

standard of living. A higher standard of living, so it is maintained, develops greater ambition, which in turn makes people better workers, greater producers, and consequently helps to increase their incomes.

4. The instalment selling system has made it possible in many industries to sell a great many more goods than could have been sold on a cash or even on an ordinary credit basis. The greatly increased market provided through instalment selling has made larger scale production possible, with the result that costs have been reduced and the commodities themselves priced at lower figures so that consumption in general has been greatly benefited.

5. Against the objection that instalment selling includes items of expense of accounting and collection, as well as possible bad debts, which must be added to the price, it is urged that practically all businesses using this method distinguish between the cash buyer and the instalment buyer by making differences in price so that the instalment buyer pays for the additional service required in this method of doing business.

6. The business losses from instalment selling, which it was feared in the early stages of its development might be very high, have in actual practice been kept at very low levels. In the National Retail Credit Survey made by the U. S. Bureau of Foreign and Domestic Commerce, referred to in the previous pages, it was found that in 2,681 establishments representing all classes of trade in which instalment selling was used, the total losses due to bad debts amounted to only 1.2 per cent. of the total instalment sales. In certain important trades, such as department stores, dry-goods, automobiles, optical goods, hardware, paints, oils and varnishes, plumbing and heating fixtures, and coal, wood and lumber, the percentage of loss due to bad debts was considerably under 1 per cent. The highest percentages of loss shown by this report were found in apparel, jewelry, automobile accessories, and house furnishings. Despite the apparent risks of instalment credit, the actual experience indicates that the losses from bad debts are but slightly more than the losses incurred in carrying ordinary charge accounts.

Arguments Against Instalment Selling

In opposition to instalment selling it is usually urged:

1. Instalment selling encourages people to run into debt, to mortgage their future earnings, to make them dependent upon creditors.

2. Instalment selling leads to extravagance, to efforts to maintain a standard of living beyond the consumer's means.

3. Instalment selling, it is urged, has the effect of deflecting purchases of certain commodities to others, so that the gains made in some lines are merely at the expense or loss of others.

4. Instalment selling results in personal inconvenience to the individual or family that must continually be under pressure to make instalment payments as they fall due. While they may have increased the use of goods, there is a penalty to be paid in worry and loss of happiness.

5. Finally, instalment selling, it is urged, can only be a temporary stimulant to business. It helps to increase the production of one year but tightens the market in years to follow. It extends the time of payment for a few months but does not in the long run add either to the consuming or the paying capacity of the public.

6. It has also been urged that instalment selling would prove an embarrassment in case of a business depression. It was felt that if many goods were bought and only partly paid for, a depression or panic, accompanied by wide unemployment and reduced incomes, would lead to a wide repudiation of purchases, great losses to consumers, and a flood of second-hand goods turned back to the sellers. This viewpoint received a severe test in 1930. According to the reports available at the time of writing this, it did not appear that there had been any widespread repudiations or returns of goods. There was undoubtedly some slowing up in collections and perhaps a tendency on the part of instalment sellers to grant additional time to their customers rather than to take back their goods. What actually happened was that purchasers of goods on the instalment plan generally continued to make every possible effort to meet their instalments rather than to give up the goods and lose what they had already paid in. The effect of this, however, may have been to accent the declines in sales of other commodities not sold by the instalment plan.

Experience With Instalment Selling

General experience has gone far enough in instalment selling to prove that as a method of doing business it is here to stay. It is highly necessary in the sale of some goods. It would be unwise to try to do a very big business without it. Instalment selling has been carried on far enough so that its strength and weaknesses can be traced. We may now know what is necessary to make a go of it.

Requirements of Instalment Selling

Instalment selling requires all of the conditions mentioned as necessitates for ordinary retail credit management, such as completeness of information about the applicant for credit, proper introduction and impression on the credit applicant, businesslike methods of collection and unwearied follow-up on those who give indications of becoming slow pay.

In addition to the foregoing essentials, instalment selling requires certain other conditions for successful operation, such as obtaining a satisfactory first, or down, payment; fixing the right amount of time which is to be allowed and in which all payments are to be completed; deciding as to whether the security for payment on instalment sales is to be a chattel mortgage on goods sold, or a lease with a conditional sale contract. There is also the necessity of predetermining the expenses incurred in managing an instalment business and in setting up proper carrying charges to be added to the selling price, either as a part of the price or as an additional sum to be specified.

Profitable Unit Value of Instalment Sales

The unit value of a sale is an important consideration in instalment selling. There is no doubt as to the effectiveness of instalment selling in goods of high values, running into amounts of $100 or more, but as the unit value goes below this point the effectiveness declines. The expenses attendant upon instalment selling run almost as high on sales of low unit value as on high sales. If the unit sale is low, the expenses run in too high proportions to the value of the product. There are not many instances of successful instalment selling on merchandise valued at $25 or less per sale. It is impossible here to set a dollar level below which it may be asserted that instalment selling is unprofitable, but that there is such a level in every business cannot be doubted. An observation of many years of retail businesses indicates that $50 or even $35 may be near the minimum amount. Instalment sales of goods valued at less than $25 are exceptional.

Size of First Payment

When instalment sales are made in department stores to customers whose credit rating has already been established and whose names are on the store's ledgers, the customers are not usually required to make a preliminary or first payment at the time of sale. Excepting for a limited amount of instalment selling in retail stores of this type, the standard method in operating

under the instalment selling plan is to require a first cash payment which in actual practice varies from 10 per cent. to 25 per cent. or even more of the total value of the merchandise. The amount of the first payment required depends upon the character of the merchandise, its possible rate of depreciation in consumer use, and the keenness of competition for business. This percentage is usually low in articles that last a long time in consumer use, such as home furnishings, sewing machines, and pianos. It is usually high, however in such articles as apparel, furs, jewelry, and other goods in which changing styles and other factors cause rapid depreciation. It has been found entirely safe in the instalment selling business to require a down payment of as small an amount as 10 per cent. of the total value on such an article as a sewing machine or a piano; but this would be entirely inadequate in such merchandise as floor coverings, draperies, and furniture, and still more inadequate on phonographs or radio instruments whose value declines rapidly as new designs and improvements are brought out.

The time allowed in which to complete the instalment payments varies greatly according to the types of merchandise. For example, many retailers require that instalments on radio equipment must be completed within 3 months. A period of 3 months or even of 10 weeks is a common time allowance in instalment sales of apparel. Much longer periods extending to 6, 8, 10, or 12 months are allowed in home furnishings and electrical appliances. On such goods as sewing machines and pianos instalment payments are sometimes continued for as long as 2 or 3 years. The point that determines the length of time that may be allowed in completing the instalment payments is the repossession value of the goods in case they must be taken back again. The principle followed in determining the time allowed is that the seller must make sure that at any time the sum of the payments received, plus the repossession value of the merchandise sold, will equal at least the total original sales value. For purposes of security, including provisions against loss, the total payments down should amount to something more than the difference between the first price and the repossession value of the goods.

Carrying Charges on Instalment Sales

The carrying charges on instalment sales represent the cost of capital, the expenses of accounting and collection, and something extra to cover bad debts. The routine of collections is probably the most important of these items of expense. Retail concerns that specialize in instalment selling compute the carry-

ing charges at varying amounts, ranging from the minimum of about 3 or 4 per cent. up to 20 per cent. or even more of the sales value of the merchandise. Such carrying charges are most frequently estimated to amount to between 5 and 6 per cent.

The addition of this carrying charge to the ordinary cash or credit price does not seem an unfair burden assessed against the purchaser of goods on an instalment basis. It is a premium which the customer pays for the privilege of having the use of the goods in advance of complete payment. It may be noted, however, that when this carrying charge amounts to 5 or 6 per cent. on merchandise the payments for which must be completed within 3 or 4 months, considered simply as a rate of interest on an annual basis, it mounts up to 15 per cent. or 20 per cent. per annum, or about the same rate as would be paid by a consumer for a small loan. This rate of interest constitutes usury but appears to be economically justifiable.

Security for Instalment Accounts

The security of the dealer who sells by the instalment plan is a factor that must not be overlooked. There are two commonly used methods by which such security may be obtained. One is to make an outright sale of the merchandise to the customer but to require, as security for the unpaid balance, a chattel mortgage which, if the instalments are not made according to schedule, may be foreclosed and the property put up for forced sale or taken back. The second method, which is now in much more general use, is to make what is known as a base and conditional sale. The conditional sale is really a contract of sale with a provision for leasing the merchandise to the customer with the understanding that as soon as all payments have been made, the title to the goods is to pass to the customer.

The base and conditional sale plan is a simpler and less expensive method of handling instalment transactions than direct sales with chattel mortgages, since the leasing system makes it possible to take back any merchandise not paid for without the legal formality and expense of foreclosure required under the chattel mortgage.

Instalment Payments Through Banks and Finance Companies

An interesting variation of instalment selling adopted by some retailers is to have the financial part of the transaction handled through some banking institution specializing in small loans to consumers. When a customer buys merchandise to be paid for under this plan, he is introduced to the bank, which may

often have its branch directly in the store. The bank then makes the loan, for which the customer agrees to pay a regular rate of interest. Then the amount of the loan is used in making the purchase of the goods desired at the cash price from the retail store. The instalment payments that follow are then made by the customer to the bank rather than to the store. Though this method has not been widely adopted, reports of its operation indicate considerable success.

Automobile, refrigerator, radio, and home furnishings sales on the instalment plan are to a great extent financed by special banks or finance companies established for this purpose. Dealers or agents who make the sales to consumers arrange the terms on conditions and contract forms satisfactory to these finance companies and as soon as the sales are effected turn them over. In such cases the dealer or agent frees himself of the work and problems of collection and possible loss from bad debts. The work of collection is assumed by the finance companies.

Tendencies and Limitations in Instalment Selling

Instalment selling has been widely advertised and promoted during recent years. It has been an undoubted means of expanding business in several lines of goods. It has also probably served a useful social purpose. There have, however, appeared certain tendencies which need the careful consideration of business men as well as their customers. One of these is the tendency to oversell or overload the customer with obligations which in periods of business depression, such as 1930, become very oppressive and troublesome. Another tendency which is apparently slowly being overcome is to use high-pressure selling of the type that borders on dishonesty or misrepresentation. Modern instalment selling, properly conducted, promotes the sale of merchandise as merchandise, rather than the terms of instalment selling. New business methods are always subject to abuse with consequent dissatisfaction and ill-will. Instalment selling has had its full share of these antagonisms. With the advent of highly organized well-financed business corporations in the instalment selling field, particularly in automobiles, electrical appliances, and home furnishings sold by the highest grade of retail stores, instalment selling has become more and more respectable. It has now taken its place as a business method on a par with cash and regular credit selling.

Instalment selling has evidently supplied a real economic need of the public or its growth would not have been so successful. Up to 1920 this need had been generally overlooked in many

lines. Now that it has been discovered and many institutions have rushed in to fill the need, it is time to call attention to its limitations. Instalment selling has apparently reached its maximum development in relation to other methods of doing business. It is now probably not doing more than holding its own, with but little prospect of increasing faster than the normal increase of total retail trade. The greater the competition for instalment business, the clearer and the better becomes the opportunity for the development of sales for cash and for regular charge-account business. The higher prices that must be secured for goods distributed on the instalment basis were perhaps not always recognized by the consuming public in the earlier stages of this form of selling, but this age has passed by. The masses are now carefully comparing cash, credit, and instalment prices. An addition of 5 per cent. to the cash price of an article is likely to be considered by most consumers as too much to pay for the privilege of using goods before they are fully paid for. Instalment selling is limited by its additional expenses of selling. Instalment selling succeeds wherever that expense is less than what the consumer is willing to pay for the privilege of use of goods in advance of having the necessary funds to pay the entire price.

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